

**Jefferies International Limited**

Vintners Place  
68 Upper Thames Street  
London EC4V 3BJ  
tel +44 (0) 20 7029 8000  
Jefferies.com

27<sup>th</sup> March, 2015

00157

BLUMARBLE PENSION SCHEME  
C/O BLUMARBLE CAPITAL LTD, C/O PENSION PRACTITIONER.  
DAWS HOUSE, 33-35 DAWS LANE  
LONDON  
NW7 4SD  
UNITED KINGDOM

**By mail**

Dear Client,

**CASS Requirements: Changes to Terms of Business**

On 10 June 2014, the Financial Conduct Authority (the “**FCA**”) published its policy statement PS14/9 (*Review of the client assets regime for investment business*). The policy statement sets out a number of changes to the rules set out in the FCA’s Client Asset Sourcebook (the “**CASS Rules**”) relating to client money and assets. The common themes behind the changes to the CASS Rules are to increase certainty, enhance protection of client money and assets, and speed up distribution of client money and assets on a firm’s failure.

As required by the policy statement we have carried out a review of our terms of business. To ensure compliance with the new CASS Rules we are required to make relevant amendments to the terms of business we have with clients before 1 June 2015 and to request that you complete and return a CASS Consent Form before that date.

In light of the above, we write to enclose a CASS Consent Form and to inform you that the current terms of business governing our relationship with you will be amended and replaced. This notice is given to you in accordance with our rights under our existing terms of business. The revised terms of business can be found on [www.jefferies.com](http://www.jefferies.com). A copy of these terms of business which will replace the existing terms of business is attached.

Please note that the new terms of business shall become effective ten business days from the date of this letter. Please complete and return the CASS Consent Form to us by email to [coblondon@jefferies.com](mailto:coblondon@jefferies.com) or by post to Jefferies International Limited Vintners Place 68 Upper Thames Street London EC4V 3BJ United Kingdom, for the attention of Client On-Boarding.

We value our relationship and business with you and wish to reassure you that the changes will not affect in any way the level of service you receive. Should you have any queries, please do not hesitate to contact us by email at [coblondon@jefferies.com](mailto:coblondon@jefferies.com).

Yours sincerely,

Jefferies International Limited

## CASS Consent Form

The FCA's Client Money Rules and Custody Rules require certain matters to be subject to written agreement between us and for this purpose we hereby confirm that:

1. Assets received or held by Jefferies International Limited ("Jefferies") for our account in the course of providing Services to us, and which are not provided as collateral, shall be treated as Client Money or Custody Assets pursuant to the FCA's Client Money Rules or Custody Rules and held as set out in the Terms of Business governing our relationship with Jefferies from time to time (the "Terms");
2. In respect of assets referred to in point 1 above, where money or securities are the subject of a Delivery Versus Payment transaction through a commercial settlement system (a "DvP transaction"), Jefferies is not required to hold these for us as Client Money or Custody Assets during the relevant "DvP period" as referred to in the Terms; and
3. In the event that any cash or non-cash collateral is remitted for our account (for the purposes of securing or otherwise covering present or future, actual or contingent or prospective obligations), this collateral shall be received by Jefferies by way of outright transfer of ownership from us to Jefferies. We agree that any such collateral will not be subject to the protections conferred by the FCA's Client Money Rules or Custody Rules and will be held on the terms set out in the Terms, and
4. In the event of a consolidation, amalgamation, reorganization or transfer of business to another entity, Client Money (if any) held by Jefferies on our behalf may be transferred to such entity on the date notified to us by Jefferies and as more particularly provided for in the Terms.

***Please use block capitals:***

Name of Client: \_\_\_\_\_

Signed: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

***Please return this Consent Form to:***

***Client On-Boarding Team at Jefferies International Limited Vintners Place 68 Upper Thames Street  
London EC4V 3BJ or by Email: [coblondon@jefferies.com](mailto:coblondon@jefferies.com)***

---

## **Terms of Business**

---

## 1. PURPOSE AND BASIS OF THESE TERMS

- 1.1. These Terms of Business, together with any Schedules and the welcome letter (together referred to as the "Terms") apply to all Services (as defined in clause 4) we may carry on with or for you from time to time.
- 1.2. In these Terms, "we", "us", "our" and "Jefferies" means Jefferies International Limited and its respective branches, Affiliates, officers, employees and directors, and "you" and "your" means you and/or (as relevant) your Principal(s) "Affiliates" means any subsidiary undertaking or parent undertaking of Jefferies International Limited or any subsidiary undertaking of such parent undertaking.
- 1.3. These Terms are legally binding and shall take effect after receipt by you of the same and/or upon you beginning or continuing to undertake business with us.
- 1.4. These Terms supersede any previous agreement between us relating to the subject matter of these Terms and any previous version(s) of these Terms.
- 1.5. Where applicable these Terms are supplemented by service specific Schedules. In the case of conflict between these Terms and any of the accompanying Schedules, the terms of the relevant Schedule shall prevail.

## 2. DEFINITION AND CONSTRUCTION

- 2.1. Definitions are set out in these Terms.
- 2.2. References to clauses are to the clauses of these Terms. Headings are included for convenience only and shall not affect the interpretation of these Terms.
- 2.3. Any reference in any documentation between you and us to an earlier version of these Terms shall, from the date these Terms take effect, be read as a reference to these Terms or the relevant or corresponding part thereof.
- 2.4. References in these Terms to statutes and any other laws, rules or regulations shall be to such statutes, laws, rules or regulations as modified, amended, restated or replaced from time to time.

## 3. CAPACITY

- 3.1. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority (the "FCA").
- 3.2. For the purposes of the FCA's Handbook of Rules and Guidance (the "FCA Rules"), based on the information you provide to us, we will categorise you as either a 'professional client' or an 'eligible counterparty'.
- 3.3. The limitations and differences that apply to your regulatory client categorisation are set out in the separate notice we have given you stating your categorisation. You have the right to request that we re-categorise you as a retail client, professional client or an eligible counterparty. We will not be obliged to accept such a request, although we will consider any such request carefully and may discuss it with you. It is your responsibility to ask for a higher level of protection where you deem that you are unable to assess or manage the risks involved with the categorisation notified to you in these Terms. You will notify us immediately in the event you believe that you are not or have ceased to be a 'professional client' or 'eligible counterparty'.
- 3.4. In providing the Services to you, we may deal with you as principal or as agent.
- 3.5. Neither the relationship between you and us nor the Services to be provided by us will give rise to any fiduciary or equitable duty which would oblige either us or our Affiliates to accept responsibilities more extensive than those set out in these Terms or which would prevent either us or our Affiliates from:
  - 3.5.1. acting as principal or as agent for any Affiliate in respect of investments and/or traded products sold or purchased; or
  - 3.5.2. advising on, managing, underwriting, arranging or otherwise participating in any issue or proposed issue of securities or other corporate finance matter for any person or entity; or
  - 3.5.3. advising on, arranging or managing investments and/or traded products or securities for any person or entity.

#### 4. DESCRIPTION OF SERVICES

- 4.1. We may provide dealing, settlement, clearing and custody services to you in respect of all investments, related instruments and ancillary services including executing orders on your behalf, receiving and transmitting orders, arranging or making arrangements with a view to transactions in investments or related instruments and providing investment research and such other services as we may, in our discretion, agree from time to time (the "Services").
- 4.2. The provision by us of the Services will be subject to these Terms and Applicable Law. "Applicable Law" means any law, rule, regulation, order, ruling, judicial interpretation or directive (whether or not having the force of law) referred to in these Terms and/or which is applicable to you, us or an Affiliate or any of our agent Service providers, any of our or their activities, any transaction, and/or any of the Services provided hereunder, whether in England or elsewhere, from time to time, including without limitation: (i) any rule, regulation, requirement, code, notice, guideline, practice note, circular, policy, recommendation or request (whether or not mandatory) made by any regulator and including (without limitation) the FCA Rules; (ii) the rules, requirements, customs, conventions and practices of any stock exchange, market, over the counter market, relevant financial market association, clearing house, registration system or depository; and (iii) any statutes, executive orders, directives, or regulations relating to US and EU economic sanctions, as modified, amended, restated or replaced from time to time.
- 4.3. We may, if we agree, provide investment research to you but we shall not provide investment advice in the form of personal recommendations and therefore, in relation to transactions you enter into with us, you do so in reliance solely on your own judgement and we make no assessment of the suitability of such transactions for you. We give no warranty as to the performance or profitability of any transaction or investment that you may effect with or through us.
- 4.4. If we have categorised you as a professional client, you acknowledge that we may assume that you have the necessary experience and knowledge to understand the risks involved in relation to any relevant investment service or transaction which we will carry out for you and as such we do not have to ensure that any such service or transaction is appropriate for you. In addition, you acknowledge that you have read and understood the information about the various types of investments (including any risk disclosure and warnings) set out in Schedule 2.
- 4.5. We are authorised by you to do anything which we consider necessary or appropriate either to provide the Services (including but not limited to acting as your agent and delegating our authority as your agent to another), to mitigate any loss incurred in the provision of the Services or to comply with any Applicable Law in relation thereto.
- 4.6. We are not responsible for the provision of any tax, legal or other advice in relation to the Services.

#### 5. ACTING AS INTERMEDIARY

- 5.1. Where you are an agent or otherwise acting on behalf of or for the benefit of any other person (the "Principal") then, even if you disclose that fact and/or identify that person to us, we will (save to the extent provided in this clause below) treat you alone as our client for all purposes relating to these Terms, and (subject to Applicable Law) we shall not owe any regulatory obligations to the Principal.
- 5.2. You, as agent for your Principal and on your own behalf, retain full responsibility for making all investment decisions with respect to any Principal.
- 5.3. You undertake and warrant where you enter into and execute a transaction pursuant to these Terms in your capacity as agent for, or on behalf of, a Principal, that:
  - 5.3.1. you are expressly authorised by, or otherwise acting within the scope of the authority you have received from the Principal to enter into that transaction for, or on behalf of, the Principal;
  - 5.3.2. the Principal has full power, authority and legal capacity to (a) enter into the transaction (b) perform all obligations contemplated by these Terms and (c) make the representations and warranties set out in clause 16;
  - 5.3.3. when performing the transactions and activities contemplated by these Terms, you will procure that the Principal complies with all Applicable Law;
  - 5.3.4. any information you provide or have provided to us in respect of your or the Principal's financial position, domicile or other matter is accurate and not misleading;
  - 5.3.5. in entering into any transaction for, or on behalf of, a Principal, you have no reason to believe that the Principal will not be able to perform any settlement obligations thereunder;

- 5.3.6. you will procure the performance by the Principal of all obligations and liabilities arising under or by virtue of these Terms; and
- 5.3.7. you are now and will be at all times in the future in compliance with Applicable Laws concerning the detection of financial crime, prevention of terrorism and anti-money laundering, and, in particular, you (a) have carried out customer due diligence on the Principal in accordance with Applicable Law; (b) consent to our reliance on such customer due diligence for the purposes of regulation 17(1) of the Money Laundering Regulations 2007; and (c) will retain any records resulting from such customer due diligence for a period of at least 5 years from the date of the transaction or the end of your business relationship with the Principal (as applicable) and, where required in order to satisfy our regulatory obligations, you will make available to us (as soon as reasonably practicable) any records regarding the Principal (and any beneficial owner) which you obtained when carrying out customer due diligence and any other information as we may require.
- 5.4. Where you have notified us of the identity of the Principal to which an instruction relates, except in relation to this clause 5 and any rights and obligations arising out of our treatment of you as our client which are imposed under Applicable Law (including, but not limited to, the rights and obligations under clause 11 and 12), all contractual rights and obligations arising under these Terms shall be rights and obligations arising between us and the Principal (and not you). If you do not provide us with actual notice of the Principal account to which an instruction relates, we reserve the right to hold you liable to us as principal in relation to the transaction entered into pursuant to such instruction.
- 5.5. You undertake, as agent for each Principal and on your own behalf, to notify us immediately if any two or more Principal accounts relate to the same Principal, in which case we shall administer such accounts as belonging to the same Principal. We shall, subject to these Terms, administer Principal accounts which we reasonably believe relate to two different Principal's separately.
- 5.6. We shall in respect of each Principal be entitled to set off any amount at any time owing from the relevant Principal account on any account referable to that Principal against any amount owing by us to that Principal or standing to the credit of the relevant Principal on any account which is referable to that Principal and any security, guarantee or indemnity given to us by or in respect of the relevant Principal for any purpose shall extend to any amount owing from that Principal after the exercise of such right.
- 5.7. Where we exercise any right of set-off, security or lien against a Principal of yours, we will only do so in respect of liabilities due to us by that Principal. We will not use the assets of your Principal in any way whatsoever to meet the liabilities due to us from a different Principal of yours.
- 5.8. If any Principal of yours commits an event of default under clause 17, you undertake to:
  - 5.8.1. promptly disclose the address and identity of such Principal; and
  - 5.8.2. take all reasonable steps to assist us in rectifying such failure including instituting legal proceedings against any underlying client of yours.

## 6. INSTRUCTIONS

- 6.1. You authorise us to rely and act upon, and treat as fully authorised and binding upon you, any instruction which purports to have been given by you and which is accepted by us in good faith as having been given by you or on your behalf, without further enquiry on our part as to the genuineness, authority or identity of the person giving or purporting to give such instruction and notwithstanding any communication or notice you may have made or may make to us purporting to limit the persons from whom we may accept instructions. Notwithstanding the foregoing, we may require, and you shall provide, evidence of any such authority provided to any person acting, or purporting to act, for you or on your behalf. You will be responsible for and bound by all contracts, obligations, costs and expenses entered into or incurred by us on your behalf in consequence of or in connection with such instructions.
- 6.2. Where we agree to allow you to place orders using electronic messaging or routing systems to access your account electronically, you may be required to enter into a separate agreement governing such arrangements. Any orders placed under those arrangements shall be subject to both the provisions of these Terms and that separate agreement.
- 6.3. Any instruction is transmitted at your own risk in such manner as may be specified by us or agreed between you and us from time to time. We shall not be responsible or liable in any way for any direct or indirect losses, damages, costs or expenses suffered by you on account of any instruction not being received by us (whether transmitted through an electronic system or not) or not being acted upon. For the avoidance of doubt, you shall not assume that an instruction has been acted upon until you receive the relevant trade confirmation from us. Irrespective of the means of communication used by you for delivery of orders or instructions, we shall not be responsible for and you hereby discharge us from any

and all liability whether in contract, tort or otherwise for (i) any errors, ambiguity, inaccuracies, incomplete orders or instructions or any omissions in any instructions given by you; (ii) any delays in transmission or any systems or service unavailability; (iii) any risks associated with unauthorised interventions, or improper or fraudulent use of such means of communication; and (iv) any other causes beyond our control.

- 6.4. Neither we nor our directors, officers or employees shall be liable for any direct or indirect losses suffered on account of any instruction not being received by us (whether transmitted through an electronic system or not) or not being acted upon. For the avoidance of doubt, transmission of an order to us is not evidence of our receipt or that we have accepted such order and while we may electronically acknowledge an instruction transmitted to us by you through an electronic system, we are under no obligation to act in accordance with such instruction.
- 6.5. Any transaction effected for you and any instruction you give shall be subject to and in accordance with all Applicable Laws and disclosure requirements of any relevant jurisdiction, exchange, market or regulatory authority which apply in respect of us, you or your investments from time to time. In that respect, you agree to deliver any instructions, money, documents or property deliverable by you under a transaction in accordance with that transaction as modified by any instructions given by us for the purpose of effecting the relevant transaction.
- 6.6. We may at our absolute discretion refuse to accept or act in accordance with any instruction without being under any obligation to give any reason. If we decline an instruction we will (to the extent permitted by Applicable Law) take reasonable steps to notify you promptly of declining such instruction.
- 6.7. We may at any time request an instruction to be confirmed in writing by you and for the original of such confirmation to be provided to us.
- 6.8. In order to comply with internal compliance policies we may (subject to Applicable Law) in our absolute discretion record telephone conversations with you and will normally record telephone, mobile phone or other mobile handheld electronic communications device based conversations between you and our employees who act in a trading or sales capacity. All instructions received by telephone shall be binding as if received in writing.

## 7. DEALING

- 7.1. The FCA Rules require us, when executing orders on behalf of clients, to take all reasonable steps to obtain the best possible result ("best execution") for such clients taking into account various execution factors. Where applicable to our dealings with you, we meet this obligation by executing orders in accordance with our order execution policy, a copy of which is provided to you with these Terms and is also available on our website. You consent to your transactions being handled in accordance with our order execution policy.
- 7.2. You acknowledge that in many cases we do not act on your behalf when executing your orders, but rather as a dealer acting as principal and offering quotes for various products and that in such circumstances we will not owe the duty of "best execution" outlined in clause 7.1. Further detail about when we owe you a duty of best execution is outlined in our order execution policy.
- 7.3. We will seek your prior express consent to execute orders (including margined transactions) on your behalf outside a regulated market or a multilateral trading facility ("MTF").
- 7.4. Where applicable, whenever you place an order with us, we shall be entitled at our absolute discretion and without reference to you, to select the venue for executing your order.
- 7.5. Where we decide that we will achieve the best result for your order by executing it over the counter ("OTC"), we may submit trade reports regarding transactions in European Economic Area ("EEA") listed securities to a recognised trade data monitor. You acknowledge that the disclosures pursuant hereto may be made to recipients in a jurisdiction other than ours or a jurisdiction that may not necessarily provide an equivalent or adequate level of protection for personal data as your home jurisdiction. For the avoidance of doubt, (i) to the extent that applicable non-disclosure, confidentiality, bank secrecy, data privacy or other law imposes non-disclosure requirements on transaction and similar information required or permitted to be disclosed as contemplated herein but permits a party to waive such requirements by consent, the consent and acknowledgements provided herein shall be your consent for purposes of such law; (ii) any agreement between us and you to maintain confidentiality of information contained in these Terms or in any non-disclosure, confidentiality or other agreement shall continue to apply to the extent that such agreement is not inconsistent with the disclosure of information in connection with this provision; and (iii) nothing herein is intended to limit the scope of any other consent to disclosure separately given by each party to the other party. We have the sole discretion to determine where any trade should be trade reported for post-trade transparency purposes.

- 7.6. Where we execute transactions in shares, admitted to trading on a regulated market, with a market counterparty, but outside a regulated market or an MTF, we will only make public such information when we are the seller. However, where the counterparty to such transactions is a client of ours, we will make public such information when we are either the seller or the buyer.
- 7.7. We shall be entitled to carry out all transactions in accordance with the constitution, bylaws, rules, regulations, customs or practices of the relevant market, exchange and/or clearing house whether imposed on you or us ("Applicable Rules"). We may take all such steps as may be required or permitted by such Applicable Rules. We will be entitled to take or not take any reasonable action we consider fit in order to ensure compliance with such Applicable Rules and all such actions so taken will be binding upon you. In the event of any conflict between these Terms and any Applicable Rules, the Applicable Rules shall prevail, provided that nothing in this clause 7.7 shall affect our rights under clause 17 of these Terms.
- 7.8. In relation to any limit orders you give in respect of shares admitted to trading on a regulated market within the EEA which are not immediately executed under prevailing market conditions, we have separately sought your express consent to exercise our discretion as to whether we make public such limit orders.
- 7.9. Certain events (including corporate actions such as share splits or bonus issues) may cause exchanges and/or MTFs to cancel unexecuted orders in their order books at the time that such events take effect. Where any such cancelled orders were being worked by us on your behalf, we will consider your related order(s) to also be cancelled and we may refer to you for express renewal of instructions concerning the securities of the relevant issuer.
- 7.10. We may delegate the performance of any of the Services to any third person(s) as we may see fit. We may also employ such agents as we select on such terms as we consider appropriate. We may, where we consider it appropriate, enter into clearing arrangements with clearing brokers or clearing members of a particular exchange.
- 7.11. We may aggregate your orders with our own orders or orders from other clients and orders of our Affiliates or their clients. We will allocate such orders in accordance with our order allocation policy and FCA Rules. Aggregation of orders in this way may on some occasions operate to your advantage, but may on other occasions operate to your disadvantage and in all such cases you accept the impact of such risk in relation to the advantages or disadvantages.
- 7.12. Where we are unable or consider it undesirable or inappropriate to execute your order at once or in a single transaction, we may execute it over such period as we deem appropriate and we may report to you an average price for a series of transactions so executed instead of the actual price of each transaction.
- 7.13. We may undertake a programme trade or trades comprising a single transaction or series of transactions on your behalf. In doing so we may act as principal or agent and upon your request will notify you in which of these capacities we are executing the transaction.
- 7.14. In respect of transactions made between you and us that are designated to be given up to another broker or dealer specified by you, such transactions will be effected for you subject to a separate agreement and the following terms shall also apply:
  - 7.14.1. if such broker or dealer accepts the designation, we shall (without prejudice to any claim we may have for commission or other payment) upon such acceptance cease to be a party to the transaction and shall have no obligation to you for its performance;
  - 7.14.2. if such other broker or dealer declines to accept the designation, we shall be entitled at our option either to confirm the transaction with you or to liquidate it by such sale, purchase, disposal or other transaction or cancel such transaction as we may in our absolute discretion determine, whether on the relevant exchange or by private contract or any other feasible method (including taking it over ourselves or transferring it to an Affiliate); and any balance resulting from such liquidation shall be promptly settled between us but without prejudicing our rights under these Terms or otherwise.
- 7.15. Where there is a give-up agreement between you, us and a third party executing broker, notwithstanding any provision contained in the relevant give-up agreement, if we accept such transaction for clearing, such transaction shall be binding and conclusive on you immediately on its acceptance for clearing by us whether or not the details of such transaction have previously been confirmed to us by you.



## 8. SETTLEMENT

- 8.1. Unless we agree otherwise, you are responsible for the due performance of every transaction which we enter into with or for you and you shall be responsible for any losses we incur as a result of your failure to deliver appropriate settlement instructions to us.
- 8.2. If you have not delivered the appropriate funds or securities to us on the due date for settlement, we reserve the right, as appropriate, to exercise a sell-out of the relevant securities or acquire alternative securities by whatever means we determine in our absolute discretion. Where we do so, our obligation to deliver the securities to you, or pay the purchase price due will cease. You shall be responsible for any losses we incur arising out of your non-performance or any actions we take as a result thereof. Where permitted to do so by Applicable Law, we may effect a net settlement with or for you or on your behalf.
- 8.3. Our obligation to settle any transaction, whether we are acting as principal or agent for you, is conditional upon the receipt by us or our agents on or before the due date for settlement of all necessary documents, securities or money due to be delivered by you or on your behalf including, for the avoidance of doubt, settlement instructions. If, in any transaction we deliver securities to you or to your order at that time or subsequently and, for whatever reason, your obligations are not performed simultaneously with or prior to our obligations, you shall hold on trust for us any such securities or money received from us until your own obligations are fully performed.

## 9. CONFIRMATIONS

- 9.1. We will send to you a confirmation in respect of each transaction executed with us within the time required by Applicable Law. Confirmations posted, electronically transmitted or otherwise sent to you at your last known address in our records will be deemed to have been received by you in accordance with clause 26 of these Terms.
- 9.2. If we are holding any client monies and/or Custody Assets for you then we will provide you with a statement detailing the client monies and/or Custody Assets we are holding for you at least on an annual basis. In addition, a statement detailing the client monies and/or Custody Assets we are holding for you (if any) will be provided or made available to you on your request and a copy of any previous such statement will be provided or made available to you within five Business Days following your request. In each case such statement or copy statement will be posted, electronically transmitted or otherwise sent to you at your last known address in our records. A postage and handling fee will be charged for mailing of statements.
- 9.3. You undertake to review any transaction documentation or account statement which we give you in writing and any such documentations or statement will be deemed correct, conclusive and binding on you unless we receive notice of error, discrepancy or omission from you in writing within one Business Day prior to the settlement day for the transaction(s). In the absence of any objection by you within this time period, we shall not be liable for any loss or damage with regard to any errors or omissions.
- 9.4. Where you submit an order in an ID Market, you agree to open one or more accounts with the relevant local broker to effect the transaction(s) and, accordingly, we shall not be liable to you for the execution, settlement and/or the clearing of the transaction(s). The relevant local broker shall execute, settle and clear the transaction directly with you and they will be solely responsible for providing you with a formal trade confirmation.

An "ID Market" is a market in which a foreign institutional investor is required to have pre-registered and been issued with a local investor identification number to access and effect transactions in the local market either directly or via the relevant local broker.

## 10. MARGIN AND COLLATERAL

- 10.1. You agree to pay us on demand such sums by way of margin in such currencies and in such amounts as we may, in our absolute discretion, require for the purpose of protecting ourselves against loss or risk of loss on present, future or contemplated transactions under these Terms.
- 10.2. Margin shall be provided by or on behalf of you in cash or non-cash collateral acceptable to us as determined by us at our absolute discretion. We reserve the right to vary the amount and type of margin required at our sole discretion.
- 10.3. If the amount of margin held by us is greater than the amount we in our absolute discretion require for the purposes of protecting ourselves against loss or risk of loss on present, future or contemplated transactions governed by these Terms, we will return to you any excess margin in the form of cash, equivalent securities and/ or other collateral as we determine.

- 10.4. On the termination of these Terms in accordance with Clause 19 (Termination) and following the application of any margin held by us in satisfaction of your obligations and liabilities to us, if there are no outstanding transactions governed by these Terms and we determine at our sole discretion that we are not at loss or risk of loss on present, future or contemplated transactions under these Terms, we will return to you any remaining margin in the form of cash, equivalent securities and/or other collateral as we determine.
- 10.5. Unless otherwise agreed between us, all margin provided by you (or on your behalf) to us will be by way of outright transfer of ownership. You thereby understand and agree that, unless otherwise agreed, the margin provided to us will not be subject to the protections conferred by the Client Money Rules and/or Custody Rules (as applicable).
- 10.6. Notwithstanding any other provision contained in these Terms, you are entitled to request at any time and from time to time, that your cash and/or non-cash margin be held or received by us pursuant to the Client Money Rules and/or Custody Rules (as applicable) rather than pursuant to an outright transfer of ownership. We will notify you in writing whether or not we agree to such request but you understand and agree that we are under no obligation to agree to it. Any agreement by us (whether pursuant to your request or otherwise) to hold your cash or non-cash margin pursuant to the Client Money Rules and/or Custody Rules (as applicable) will in all cases be subject to you and us agreeing (i) such amendments to these Terms as we (acting in a commercially reasonable manner) consider necessary to give effect to such an arrangement (ii) the date from which we will hold your cash or non-cash margin pursuant to the Client Money Rules and/or Custody Rules (as applicable).

## 11. CUSTODY

- 11.1. In accordance with FCA Rules set out in Chapter 6 of the FCA's Client Assets Sourcebook (the "Custody Rules") on title transfer collateral arrangements, any non-cash collateral remitted for your Account for the purposes of securing or otherwise covering present or future, actual or contingent or prospective obligations shall be received by us by way of outright transfer of ownership. Accordingly, such non-cash collateral shall not be treated as a custody asset and will not be subject to the protections conferred by the Custody Rules.
- 11.2. If in providing any Services to you hereunder, assets or securities are received or held by us for your Account (other than as non-cash collateral), such assets and securities (the "Custody Assets") will be held or received by us in accordance with the Custody Rules and subject to Clause 11.3 below we agree to act as custodian or to arrange for the Custody Assets to be held in custody. In the event that we agree to hold or receive Custody Assets for you, we shall do so in accordance with the provisions of Schedule 1.
- 11.3. You understand and agree that:
- 11.3.1. where money or securities are the subject of a delivery versus payment transaction through a commercial settlement system (a "DVP Transaction") we are not required to hold these for you in accordance with the Client Money Rules or Custody Rules during the relevant DVP Period; and
- 11.3.2. in the event that a DVP Transaction fails to settle during the DVP Period, rather than holding the relevant securities received from you (and which are expected to settle) in accordance with the Custody Rules, we may elect in our sole discretion, to hold for you an amount of our own money equivalent to the value of the relevant securities in accordance with the Client Money Rules until such time as the relevant DVP Transactions settle.

For the purposes of the above:

"DVP Period" means in respect of the relevant transaction, the period from (and including) the day on which you fulfil the relevant payment or delivery obligation (as applicable) to us in respect of such transaction to (and including) the earlier of (a) the day on which the relevant transaction settles and (b) the third Business Day following the day on which you fulfilled the relevant payment or delivery obligation (as applicable) to us to.

## 12. YOUR MONEY

- 12.1. We are required to comply with the FCA's client money rules, as set out in Chapter 7 of the FCA's Client Assets Sourcebook (the "Client Money Rules" and together with the Custody Rules, the "Client Asset Rules"). In accordance with the Client Money Rules on title transfer collateral arrangements any cash margin or other monies remitted for your Account for the purposes of securing or otherwise covering present or future, actual or contingent or prospective obligations shall be received by us by way of outright transfer of ownership. Accordingly, such monies shall not be treated as client money and will not be subject to the protections conferred by the Client Money Rules.

- 12.2. If in providing any Services to you hereunder, any money is held or received by us for your Account (other than as cash collateral), we shall treat it as client money in compliance with the Client Money Rules. Accordingly, (but subject to Clause 11.3 above and Clauses 12.3 and 12.4 below) we shall: (a) hold such client money in a general client bank account at an approved bank which may be a bank situated in a jurisdiction other than the UK (including in a jurisdiction outside of the European Economic Area (the "EEA")); and (b) where relevant, pass client money to intermediate brokers, settlement agents, clearing houses or over the counter counterparties located in the UK and/or in jurisdictions outside the UK (including in a jurisdiction outside of the EEA). You should note that the legal and regulatory regime applying to any such approved bank, intermediate broker, settlement agent, clearing houses or over the counter counterparty outside of the UK will be different from that of the UK and in the event of a default of such party your money may be treated differently from the position that would apply if the money were held in the UK. You should consider taking independent legal advice if you are concerned about the implications of this.
- 12.3. Where any obligations owing to us from you are due and payable to us, we may, in accordance with the Client Money Rules, cease to treat as client money so much of the money so held as equals the amount of those obligations and you agree that we may apply that money in or towards satisfaction of all or part of those obligations due and payable to us and where applicable Clause 17 will apply.
- 12.4. You understand and agree that where permitted by and in accordance with the Client Money Rules, we are entitled to cease to treat unclaimed balances held on your Account as client money.
- 12.5. Unless otherwise agreed in writing, you agree that you are not entitled to and will not receive any interest on the money held by us. Any agreement in respect of interest will at all times be subject to change at our sole discretion.

### 13. CONFLICTS OF INTEREST AND DISCLOSURES

- 13.1. In accordance with FCA Rules and our own conflicts of interest policies, we have in place arrangements to identify and manage conflicts of interest that arise between ourselves or our employees and our clients, and between our different business areas and between our different clients. Where we do not consider that the arrangements under our conflicts of interest policies are sufficient to manage a particular conflict, so as to ensure, with reasonable confidence, that the risk of damage to your interests will be prevented, we will inform you of the general nature and/or source of the conflict of interest so that you can decide how to proceed before we undertake any business for you.
- 13.2. In relation to any transaction we execute or arrange with or for you, we may have an interest, relationship, arrangement, or duty which is material or which gives or may give rise to a conflict of interest with your interest(s) in relation to the investment or transaction concerned or investments or assets underlying, derived from or otherwise directly or indirectly related to such investments (a "material interest"). We will take all necessary steps to ensure fair treatment for you in relation to any such transactions and will manage any conflict of interest in accordance with our conflicts of interest policies.
- 13.3. Your attention is drawn to the fact and you acknowledge that we are involved in a full range of services including investment management, corporate finance and securities issuing, trading and investment research (as defined in clause 13.8). As such we may have a material interest or a conflict of interest in the services or transactions we carry out with or for you. We have in place internal policies and procedures pursuant to our conflicts of interest policies to ensure that our various business areas and companies operate independently of each other and restrict access by the particular employee(s) responsible for handling your affairs to certain areas of information. Such policies and procedures include physical segregation and organisational arrangements designed to ensure that certain information produced or acquired by employees in one part of Jefferies' business is not shared with employees in another part of Jefferies.
- 13.4. Accordingly:
  - 13.4.1. we will provide services to you under these Terms on the basis of information actually known to the particular employees responsible for handling your affairs; and
  - 13.4.2. as a result of our relationship with other clients we may in some circumstances be unable to provide Services to you and we shall not be obliged to disclose the reason why or any further information relating thereto.
- 13.5. You agree that we are entitled to provide Services to, or effect transactions with or for you, notwithstanding that we may have a material interest in, or a potential conflict of interest in relation to, the transaction or investment concerned and you consent to our acting in any manner that we would consider appropriate in such cases. A material interest may include but is not limited to circumstances where we may:

- 13.5.1. be dealing as principal for our own account by selling the investment concerned to you or buying it from you, or being a market-maker or otherwise having a holding or dealing position in the investment concerned or an associated investment;
- 13.5.2. be providing services to another person in relation to an investment in relation to which you are entering into transactions;
- 13.5.3. be matching your transaction with that of another person by acting on that person's behalf as well as yours where we are acting or seeking to act as agent for (and to receive and retain commission or other charges from) both parties;
- 13.5.4. have other business relationships, including investment banking relationships, with the company, or a related entity, in relation to whose securities you are entering into transactions;
- 13.5.5. be involved as financial adviser, broker, nominated adviser, sponsor, underwriter or otherwise in a new issue, underwriting, rights issue, takeover or similar transaction concerning the investment, or the issuer of the investment or a related investment;
- 13.5.6. trade (or may have traded) for our own account (or for or on behalf of other clients), have either a long or short position in the investment concerned, or other related investments or otherwise pursue our legitimate business as a market maker or dealer (including entering into an agreement for the underwriting of an issue of financial instruments) in connection with the investment concerned or related or other investments;
- 13.5.7. execute hedging transactions prior to or following receipt of an order or information concerning a contemplated order or transaction from you or from someone acting on your behalf in order to manage our risk in relation to transactions you are entering into or contemplating, or execute transactions in order to facilitate the dutiful execution of your order or manage our own market maker or dealing activities, all of which may impact on the price you pay or receive in relation to such transactions and any profits generated by such hedging or other transaction may be retained by us without reference to you;
- 13.5.8. enter into transactions as agent or principal, including for pre-hedging purposes, with a view to executing or facilitating the execution of the proposed transaction(s), based upon information you provide to us and any information held by us regarding your previous trading, when you provide us with the bid information, including when you ask us to provide a quotation for a portfolio trade involving the commitment of our capital or otherwise. Such transactions may impact upon the prices you subsequently obtain when we trade with you or when you trade with other firms;
- 13.5.9. be (or be an adviser to) the trustee, operator or manager of an investment fund, units in which we are buying from or selling to you or buying or selling on your behalf; or
- 13.5.10. provide investment research.
- 13.6. We shall be entitled to enter into a transaction with or for you or retain your investments or act as your agent or provide any other service notwithstanding any material interest including, but not limited to, those set out in clause 13.5 and we shall not be under a duty to disclose to you any profit arising therefrom without further reference to you to the extent permissible under FCA Rules.
- 13.7. Save to the extent otherwise required by FCA Rules, we shall not be liable to account to you for, or (save in respect of fees or commissions charged to you) to disclose to you the amount of any profit, commission or remuneration made or received (whether from any client or by reason of any material interest or otherwise) by us by reason of any Services provided to you.
- 13.8. Our policy is to produce investment research material that is impartial, independent, clear, fair and not misleading for our clients and to support our trading activities ("investment research"). The following terms apply in relation to all investment research:
  - 13.8.1. We shall be under no obligation to you to ensure that any information given to you takes account of any investment research save to the extent otherwise required by the FCA Rules.
  - 13.8.2. No investment research shall constitute an offer or an invitation by or on behalf of us to any person to buy or sell any investments.
  - 13.8.3. In all cases, you should conduct your own investigation and analysis of any information contained in investment research before taking or omitting to take any action either in relation to investments or markets.
  - 13.8.4. We may from time to time have a long or short position in any of the investments mentioned in any investment research and may buy or sell those investments.

- 13.8.5. We may from time to time provide corporate finance, investment management, or other services for or solicit or seek to obtain corporate finance, investment management or other business from any entity referred to in any investment research.
- 13.8.6. All investment research is provided subject to the terms, notices, disclosures, disclaimers and notices contained therein.

#### **14. FEES, CHARGES AND TAXES**

- 14.1. Where applicable, our fees will be calculated on a commission basis and collected from you on each relevant transaction or on such other basis as agreed between us or as notified by us to you from time to time.
- 14.2. Unless otherwise agreed, you shall pay any commissions, brokerage fees, transfer fees, registration fees, any applicable duties and taxes, and all other liabilities, charges, costs and expenses payable in connection with transactions effected or Services provided by us on your behalf.
- 14.3. You shall be responsible for payment of all transaction, transfer and stamp taxes and duties arising out of or in relation to any transactions or in connection with any Service provided under these Terms and where under Applicable Law such taxes and duties are due to be paid or collected by us then you shall on demand pay us an amount equal to such taxes or duties and indemnify us for the same.
- 14.4. Where we effect any transactions between us as principals, the pricing of any such transaction may incorporate a mark-up or mark-down as additional compensation to us.
- 14.5. Except as otherwise required or determined by Applicable Law or market custom you shall be solely responsible for all filings, tax returns and reports which must be made by you to any relevant authority, whether governmental or otherwise, and for the payment of all taxes (including without limitation any transfer, withholding or value added taxes), imports, levies or duties due from you on any dividends, principal or interest, or any other liability or payment arising out of or in relation to any transactions or in connection with any Service provided under these Terms. Accordingly, you shall at all times remain directly accountable to and liable to the relevant tax authorities for any relevant tax liabilities arising out of any transactions under these Terms or any Services provided by us to you.
- 14.6. We and/or our Affiliates may receive other payments in connection with any transaction we execute with or for you in addition to or in lieu of any fees, commissions or non-monetary benefits to the extent permitted by the Applicable Law. We may share these fees, commission or non-monetary benefits and if relevant to you the amount or basis of any shared charges in relation to a specific transaction will be made available on request if required by Applicable Law and with regard to the nature of the Services. Such disclosure may be in summary form only.
- 14.7. If you are a client of our Frankfurt, Milan or Paris branch, any fees and commissions paid by you to us will be allocated 100% to the respective branch.

#### **15. PAYMENTS AND INTEREST**

- 15.1. You agree to pay any amounts due to us by you, in such currencies as we may determine, as they become due regardless of any rights of equity, counterclaim or set-off which you may have against us and free and clear of, and without withholding or deduction for, any taxes of whatsoever nature, unless the same is required by Applicable Law binding on you. You will pay such additional amounts so that the net amounts received by us (after taking account of such withholding or deduction) are equal to such amounts as would have been received by us had no such taxes been required to be withheld or deducted by you.
- 15.2. Where we to the best of our knowledge and belief consider that we are required by Applicable Law to withhold or deduct any amount for or on account of tax, including under section 1471 to 1474 of the United States Internal Revenue Code of 1986 as amended (FATCA) and under intergovernmental agreements entered into with the United States relating to FATCA, and also with respect to gross amounts which are netted against other payments between us, then we shall be entitled to withhold or deduct and pay to the relevant tax or revenue authority such amount, we shall not be required to indemnify you or gross up such payments and, in the event that we are not able to or do not withhold or deduct any such amount from the relevant payment to you, you shall pay us on demand an amount equal to such tax.
- 15.3. If on any date amounts are payable in the same currency both by us to you and by you to us, we may aggregate the amounts so payable on such date and only the difference between the aggregate amounts will be paid by the party owing the larger amount.

- 15.4. You authorise us to debit any of your accounts, whether held by us or a third party, to pay any amounts due to us pursuant to these Terms.
- 15.5. If you fail to pay any amount when due and payable to us, we reserve the right to charge you interest on any such amount until the date payment is received by us at the effective cost to us of borrowing the due amount in the relevant money markets as determined in our absolute discretion. Interest will accrue on a daily basis and will be due and payable as a separate debt.
- 15.6. If we receive or recover any amount in respect of an obligation of yours in a currency other than that in which such amount was payable, whether pursuant to a judgment of any court or otherwise, you shall indemnify us and hold us harmless from and against any cost (including costs of conversion) and loss suffered by us as a result of receiving such amount in a currency other than the currency in which it was due.
- 15.7. The introduction of and/or substitution of a new currency as the lawful currency of a country shall not have the effect of altering, or discharging, or excusing performance under any provision of these Terms or any transaction hereunder, nor give a party the right unilaterally to alter or terminate these Terms or any transaction hereunder.

## 16. CLIENT'S WARRANTIES

You hereby represent and warrant (which representations and warranties shall be deemed to be repeated by you on each date on which a transaction is entered into under these Terms) that:

- 16.1. you have full power and authority to enter into these Terms, each transaction and any other documentation relating thereto, and to perform your obligations thereunder;
- 16.2. you will be liable to us in respect of all obligations and liabilities arising from transactions effected on your instructions;
- 16.3. entering into these Terms or any transaction hereunder will not violate or conflict with any Applicable Law, any provision of any constitutional documents or any charge, trust deed, contract or other instrument or any contractual restrictions applicable to, binding on or affecting you or any of your assets or oblige you to create any lien, security interest or encumbrance;
- 16.4. all governmental, regulatory and other consents that are required to have been obtained by you in relation to your entering into these Terms or any transaction hereunder have been obtained and are in full force and effect and all conditions of any such consents have been complied with;
- 16.5. you will comply with all Applicable Laws and disclosure requirements of any relevant jurisdiction which apply in respect of us, our Affiliates, you or your investments from time to time;
- 16.6. you are in compliance with all statutes, executive orders, directives or regulations relating to US and EU economic sanctions and you will not knowingly undertake any transaction that places us or our Affiliates in violation of such statutes, executive orders, directives or regulations;
- 16.7. the information you have provided to us is complete, accurate and not misleading in any respect and that in the event of any change to such information, you will promptly notify us of the same;
- 16.8. you will promptly give (or procure to be given) to us such information and assistance as we may reasonably require to enable us to assist or achieve compliance with any of the obligations mentioned in clauses 16.3, 16.4 and 16.6 of these Terms;
- 16.9. all investments to which these Terms apply are, and will be, so long as these Terms are in force, free from any impediment and are beneficially owned by you or the person or ultimate beneficiary on whose behalf you are acting directly or indirectly;
- 16.10. you, or any individual placing orders with us on your behalf, are not in possession of any price sensitive or inside information which would or may affect your ability to lawfully abide by these Terms or enter into any transaction with us;
- 16.11. you have not relied on any statement made by us in making any decisions as regards transactions in investments under these Terms; and
- 16.12. you have appropriate arrangements in place to ensure (i) that any individuals placing orders on your behalf are proficient in using the DMA Services which is the electronic access to the Hong Kong market provided by us through which you transmit orders for Securities and Futures Contracts as defined under Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (as amended from time to time); (ii) that they understand and have the ability to comply with Hong Kong regulatory requirements; and (iii) you have in place adequate arrangements to monitor orders entered through the DMA Services.

## 17. EVENTS OF DEFAULT

17.1. An "Event of Default" shall occur where:

- 17.1.1. (i) you fail to make any payment due to us or to deliver any securities due to us (or agents used by us); or (ii) you fail to perform any other obligation owed to us; or (iii) any representation or warranty you make to us is false or misleading either under these Terms or under any other agreement between you and us; or (iv) we for any reason whatsoever reasonably deem it necessary or desirable for our protection;
- 17.1.2. you become unable to pay your debts as they fall due or become insolvent or bankrupt or become the subject of any insolvency, bankruptcy or administration proceedings under any Applicable Law; or
- 17.1.3. a winding-up resolution is passed or a winding-up or administration order is made in respect of you or a similar petition is filed by or against you or if notice is given of a general meeting of your creditors or any similar event or a receiver, liquidator, administrator or similar official is appointed in respect of you or any of your property under any applicable rules,

17.2. On the occurrence of an Event of Default we shall be entitled, without prior notice to you, to take any or all of the following actions:

- 17.2.1. terminate our agreement to provide the Services and treat any or all outstanding transactions between you and us as having been cancelled or terminated;
- 17.2.2. sell or charge in any way any or all of the investments or other assets or property which we are holding or control or are entitled to receive on your behalf and to apply the proceeds in or towards satisfaction of any obligation or liability you may have to us (including any contingent or prospective liability);
- 17.2.3. buy any investment, asset or other property and deliver such investment, asset or other property to any company or entity, or otherwise take any action we see fit in order to close-out any positions or transactions you may hold with us, in whole or in part, or in order to close-out any commitments made or terminate transactions on your behalf;
- 17.2.4. set off any obligation we owe to you, and/or to apply any cash we hold for your account, against any obligation or liability you may have to us (including any contingent or prospective liability); or
- 17.2.5. close out, replace or reverse any transaction or position and convert any currency at such rates and times as conclusively determined by us and as is appropriate in order to meet obligations incurred on your behalf or on behalf of your account(s) with us, enter into any other transaction or take, or refrain from taking, such other action at such time or times and in such manner as, at our sole discretion, we consider necessary or appropriate, acting at all times in good faith, to cover, reduce or eliminate our loss or liability under or in respect of any contracts, positions or commitments.

17.3. On the occurrence of any of the Events of Default you agree to notify us of the same in which the provisions of Clause 17.2 shall apply at the time that such notification is received by us.

17.4. Without prejudice and in addition to any general lien, right of set-off or power of sale or other similar right which we may be entitled to exercise whether by law or otherwise over any of your investments, monies or other property, your investments, monies and other property shall be subject to a general lien in our favour, insofar as there remain any outstanding amounts due or liabilities (whether actual or contingent) outstanding from you to us.

17.5. The restrictions contained in Sections 93 and 103 of the Law of Property Act 1925 shall not apply to the exercise by us of our rights or our power of sale.

## 18. LIABILITY AND INDEMNITY

18.1. We shall not be liable for any default of any counterparty, bank, custodian, sub-custodian or other entity which holds money, investments or other documents of title on your behalf or with or through whom transactions on your behalf are conducted.

18.2. We will not be liable for any losses, including, but not limited to, market or trading losses, liabilities, damages, charges, actions, claims or disbursements of any kind or nature whatsoever (including any reasonable legal or other reasonable costs) or any expenses relating to investigating or defending any such demands, charges or claims (together "Losses") suffered by you in connection with the Services unless such Losses directly arise from our gross negligence, wilful default or fraud.

- 18.3. You shall on demand indemnify and keep us and each of our directors, officers, partners, employees and agents, and each of their respective heirs, successors and assigns (our "Officers") harmless against any cost, tax, expense, damage, loss or liability whatsoever which may be suffered or incurred by us or any of our Officers as a result of any transaction, action or step taken by us under these Terms (including the costs of enforcing the same) unless, and then only to the extent that, such cost, expense, damage, loss or liability is finally judicially determined to be fraudulent, in wilful default or grossly negligent on our part or on the part of any of our Officers. Notwithstanding the foregoing, nothing in these Terms shall exclude or restrict:
- 18.3.1. any obligation that we or any of our Officers have under the FCA Rules in relation to you; and
  - 18.3.2. any liability which we or any of our Officers may incur under the FCA Rules or the Financial Services and Markets Act 2000, or any amendment thereof, in respect of a breach of any such obligation.
- 18.4. Neither we nor any of our Officers shall be liable for any loss arising from any act or omission of any agent or third party who performs Services pursuant to these Terms unless, and then only to the extent that, such loss is finally judicially determined to be fraudulent, in wilful default or grossly negligent on our part or on the part of any of our Officers.
- 18.5. In no event shall we or any of our Officers be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for indirect, consequential or special damages, howsoever arising, whether or not advice of the possibility of such loss or damages was provided.

## 19. TERMINATION

- 19.1. Without prejudice to anything contained in clause 17, you may terminate these Terms at any time by sending us written notice which shall take effect from the date acknowledged by us. We may terminate these Terms by sending you written notice which shall specify the date on which such termination shall take effect.
- 19.2. Termination of these Terms pursuant to clause 19.1 shall be:
- 19.2.1. without prejudice to the completion of any transaction or transactions already initiated and any transaction or all transactions outstanding at the time of termination will be settled and delivery made;
  - 19.2.2. without prejudice to and shall not affect any accrued rights, existing commitments or any contractual provision intended to survive termination; and
- without penalty or other additional payment save that you will pay: (i) our outstanding fees and charges; (ii) any expenses incurred by us in the provision of the Services or under these Terms payable by you; (iii) any additional expenses incurred by us as a consequence of termination; and (iv) any losses necessarily realised in settling or concluding outstanding obligations.

## 20. CONFIDENTIALITY

- 20.1. We and you will at all times keep confidential and shall not disclose to a third party any information of a confidential nature or otherwise acquired in connection with these Terms or the Services, except for information which either of us is bound to disclose under compulsion of Applicable Law or by request of regulatory agencies or to our respective professional advisers or, in our case, where disclosure to a third party such as an intermediary or clearing house is necessary in order to facilitate the proper performance of the Services to you.
- 20.2. We shall be under no duty to (i) disclose to you any information in making any decision (ii) take any action in connection with the provision of the Services, or (iii) take into account any information or other matters which comes to our notice or the notice of any of our Officers where this would, or we reasonably believe that in doing so would, be a breach of any duty of confidence to any other person.

## 21. DATA PROTECTION

- 21.1. You acknowledge that we may obtain information (including personal data and sensitive personal data, each as defined in the Data Protection Act 1998, as amended) about you or your directors, officers and employees. You authorise us to store any such information (whether provided electronically or otherwise) and to disclose any such information (including, without limitation, information relating to your transactions and accounts) as we shall be obliged or requested to under or pursuant to any Applicable Law or as may be required to provide the Services to you.



- 21.2. You expressly consent to the transfer of information we hold about you to any country including countries outside the EEA (which may not have data protection laws which are commensurate with those in force in the United Kingdom).

## **22. UNSOLICITED REAL TIME FINANCIAL PROMOTION**

- 22.1. You consent to us and any of our Affiliates to visit, telephone or otherwise communicate with you on a real time basis, at any time to discuss investments and you acknowledge that you would not consider such a communication as being a breach of any of your rights under the Privacy and Electronic Communications (EC Directive) Regulations 2003.

## **23. ASSIGNMENT AND AMENDMENT**

- 23.1. The obligations under these Terms bind and the rights will be enforceable by, the parties to these Terms and their respective successors, permitted assigns and personal representatives.
- 23.2. Subject to clause 23.3 below, neither you nor us may novate or assign any of your or our respective rights and/or obligations under these Terms, any corresponding transaction, open position or any contract without the prior written consent of the other.
- 23.3. You agree that in the event that we consolidate, amalgamate, reorganise or transfer our business to another entity (including to an Affiliate), we may assign any of the rights and obligations under these Terms to such entity and we may transfer client monies held for you (if any) to such entity. We shall give you notice which will specify a date upon which the assignment and/or transfer will become effective. This date will be at least ten (10) Business Days after the date of the notice. Such assignment will have the effect of creating a novated agreement between you and the entity to which such rights or obligations are assigned.
- 23.4. Any client monies transferred in the circumstances described in Clause 23.3 will cease to be held by us in accordance with the Client Money Rules. We will notify you within seven days of your client monies being transferred. If we determine that the entity to which monies are transferred will not hold your money in accordance with the Client Money Rules, we will exercise all due skill, care and diligence in assessing whether the transferee will apply adequate measures to protect your money.
- 23.5. To the extent required by, or consequential to, any such assignment you agree to enter into further documentation and/or particular terms as we or any assignee may reasonably require solely in order to make or facilitate the action envisaged in clause 23.3 above and to enter into such new arrangement with you concerning the Services under these Terms.
- 23.6. We will notify you of any changes to our Terms, order execution policy and execution arrangements by posting updated versions of the applicable documents on [www.jefferies.com](http://www.jefferies.com) and, where there is a material change, by giving you written notice. Any such change will become effective on a date to be specified in the notice which will be at least ten (10) Business Days after the notice is sent to you unless (i) it is impractical to do so or (ii) otherwise required by Applicable Law.

## **24. COMPLAINTS AND ADDRESS FOR NOTICES**

If you have a complaint about us, you should raise it in the first instance with your usual contact at Jefferies. If you are not satisfied with the response of your usual Jefferies contact (or if you prefer not to raise the matter with such person) you may communicate with our compliance officer directly at Compliance Department, Jefferies International Limited, Vintners Place, 68 Upper Thames Street EC4V 3BJ or by email to [london\\_compliance@jefferies.com](mailto:london_compliance@jefferies.com).

## **25. COMPENSATION SCHEME**

Business conducted by us under these Terms which is subject to regulation by the FCA is covered by the Financial Services Compensation Scheme (the "FSCS") if you are an "eligible claimant". The maximum sum currently payable under the FSCS is £50,000. Further information on the scheme can be obtained from us on request or from the FCA or the FSCS.

## **26. NOTICES, INSTRUCTIONS AND OTHER COMMUNICATIONS**

- 26.1. All correspondence, notices, certificates and statements of account ("Notices") may be provided to you by whatever means unless otherwise required by Applicable Law. Any Notices from us to you shall be sent to the last mailing address, facsimile number or email address held for you on our records (as applicable). You confirm that you have regular access to the internet and consent to information including, without limitation; information about amendments to our order execution policy, information

about the nature and risks of investments and other information concerning the Services provided to you which we will post on our website at [www.jefferies.com](http://www.jefferies.com) or such other website as we may from time to time notify to you.

- 26.2. Save for the provisions of clauses 9 and 23.6, all Notices will, in the absence of manifest error, be deemed correct, conclusive and binding on you if not objected to in writing by you within three Business Days of receipt. "Business Day" means a day which is not a Saturday or a Sunday and upon which banks are open for business in London.
- 26.3. Any notice to be made by you to us shall, if sent by letter, be sent to the address set out in clause 24 of these Terms or to such other address as shall from time to time have been notified to you, or if sent by facsimile or e-mail transmission to the number or e-mail address provided by us to you for such purposes.
- 26.4. A written notice shall be deemed to have been received:
  - (a) if delivered by hand on a Business Day, on the day of delivery and, if delivered by hand on a day other than a Business Day, on the first Business Day after the day of delivery;
  - (b) if sent by first class post or airmail, on the second Business Day after the day of posting if the address is in the same country as that of the sender and if to a different country on the fourth Business Day;
  - (c) if sent by facsimile or e-mail transmission before 1700 hours (London time) on a Business Day, on the day of transmission; and
  - (d) if sent by facsimile or e-mail transmission on a day other than a Business Day or after 1700 hours (London time) on a Business Day, on the first Business Day after transmission.

## 27. FORCE MAJEURE

Whilst we will endeavour to comply with our obligations in a timely manner, we will incur no liability whatsoever for any partial or non-performance of our obligations by reason of any cause beyond our reasonable control including but not limited to any communications, systems or computer failure (including, without prejudice to the generality of the foregoing, the failure of any system provided pursuant to any agreement entered into in accordance with clause 6.2), market default, suspension, failure or closure, or the imposition or change (including a change of interpretation) of any law or governmental or regulatory requirement and we shall not be held liable for any direct or indirect loss you may incur as a result thereof and notwithstanding that you may have notified us of the same.

## 28. MISCELLANEOUS

- 28.1. You acknowledge and agree that in conducting business with us pursuant to these Terms, you do not rely on, and shall have no remedy in respect of, any statement, representation, warranty or understanding (whether negligently or innocently made) of any person other than as expressly set out in these Terms.
- 28.2. Nothing in these Terms (or any of the arrangements contemplated by them) shall be deemed to create a partnership, joint venture or equivalent between you and us.
- 28.3. No failure to exercise or delay in exercising any right or remedy under these Terms shall constitute a waiver thereof and no single or partial exercise of any right or remedy under these Terms shall preclude or restrict any further exercise of such right or remedy. The rights and remedies contained in these Terms are cumulative and not exclusive of any rights and remedies provided by Applicable Law.
- 28.4. If any provision in these Terms shall in whole or in part be held by any court of competent jurisdiction to any extent to be illegal or unenforceable under any enactment or rule of law that provision or part shall to that extent be deemed not to form part of these Terms and the enforceability of the remainder of these Terms shall not be affected thereby.

## 29. GOVERNING LAW AND RIGHTS OF THIRD PARTIES

- 29.1. These Terms and any dispute or claim arising out of or in connection with these Terms or these Terms' subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably submit to the exclusive jurisdiction of the English courts.
- 29.2. You irrevocably waive, with respect to yourself and your revenues and assets, all immunity on the grounds of sovereignty or similar grounds in respect of your obligations under these Terms.

- 29.3. Where you do not have a permanent place of business in England, you agree to appoint and keep appointed an agent for the service of process and to notify us of the identity of such agent.
- 29.4. No person who is not a party to these Terms (other than any of our Affiliates) may enforce any of their provisions or rely on any exclusion or limitation of liability contained herein, whether under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

## Schedule 1

## CUSTODY

1. Custody Assets will be held or received by us in accordance with the Custody Rules and we agree to act as custodian or to arrange for such Custody Assets to be held in custody. Where we do so, we will open, or cause to be opened, such accounts as are required to safeguard adequately your ownership rights in those securities and other assets in the event of our insolvency, and to minimise the chance of loss or diminution of those assets.
2. You hereby authorise us to register or arrange the registration of Custody Assets in any name permitted by the Custody Rules. Normally, your Custody Assets will be held in your name or in the name of an eligible nominee. However, where we are prevented from holding your Custody Assets in your name or in the name of an eligible nominee, we may, where permitted by and in accordance with the Custody Rules, register or record your Custody Assets in the name of a third party (including, without limitation, a custodian). In the event we are prevented from holding your Custody Assets in the name of a third party, we may, where permitted by and in accordance with the Custody Rules, register or record your Custody Assets in our name.<sup>1</sup> If Custody Assets are held in our name or that of a third party, the Custody Assets may not be segregated from our assets or those of the third party and, in the event of a default by us or the third party, may not be as well protected from any claims by our or their creditors.
3. If we deposit your Custody Assets with a person in a non-EEA jurisdiction, such Custody Assets shall be subject to the law of that jurisdiction and your rights in relation to those assets may differ accordingly.
4. We will not deposit your Custody Assets with a person in a non-EEA jurisdiction which does not regulate custody activities unless (i) the nature of the financial instrument requires it to be deposited in such a jurisdiction; or (ii) we receive a prior written instruction from you, in which case the consequences of so doing are entirely at your own risk.
5. We are responsible for the acts of any nominee company controlled by us or any of our Affiliates to the same extent as for our own acts.
6. Investments registered or recorded in the name of a nominee will be pooled with those of one or more of our other clients. In the event of an irrecoverable shortfall following any default or failure by the custodian responsible for pooled investments, you may not receive your full entitlement and may share in that shortfall pro rata to your original share of the assets in the pool. When corporate events (such as partial redemptions) affect some but not all of the investments held in a pooled account, we will allocate the investments so affected to particular clients in such fair and equitable manner as we consider appropriate (which may without limitation involve pro rata allocation or an impartial lottery).
7. We will claim all amounts of any dividends, interest, payments or analogous sums to which you may be entitled in relation to Custody Assets and of which we are notified, but we shall not be responsible for claiming any entitlement or benefit you may have under any applicable taxation treaty or arrangement. Unless otherwise agreed with you we shall not be responsible for notifying you of any voting rights or other powers or rights arising or exercisable in respect of any Custody Asset or for exercising or taking any actions in respect of the same.
8. Where we appoint a custodian to hold Custody Assets it may be any of our Affiliates that is so appointed.
9. In the event that we identify a discrepancy as a result of, or that reveals, a shortfall (as such term is defined in the FCA Rules) with respect to your Custody Assets, and we determine that the Client Asset Rules require us to do so, we will, until such time as the relevant discrepancy is resolved, hold for you an amount of our own assets and/or money in accordance with the Client Asset Rules and these Terms to cover the value of such shortfall.

<sup>1</sup> CASS 6.2.3R (4); 6.2.5 and 6.2.6.

## Schedule 2

### RISK WARNINGS AND FURTHER DISCLOSURES

Clients should note that there are significant risks inherent in investing in certain financial instruments and in certain markets. Investment in derivatives, futures, options and warrants may expose clients to risks which are different to those investors might expect when they invest in equities. Similarly, investment in shares issued by issuers in emerging markets (by which we mean those that have an underdeveloped infrastructure or which are less economically or politically stable as markets in developed countries) involves risks not typically associated with equities investment in well developed markets. Investment in any of the foregoing kinds of financial instruments is generally appropriate for sophisticated investors who understand and are able to bear the risks involved. Among such risks, is the risk of losing the entire value of an investment or (in the case of certain derivative and other transactions) the risk of being exposed to liability over and above the initial investment. We set out below some specific risks and considerations for investors in relation to financial instruments of the type referred to above. This information is not intended to constitute a comprehensive statement of all the risks to which investors might be exposed and there may be others that exist now or which may arise in the future.

#### Stabilisation

You may enter transactions in newly issued securities in respect of which we are the stabilisation manager and the price of which may have been influenced by measures taken to stabilise it. 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.

As long as the stabilisation manager follows FCA Rules, it is entitled to buy back the 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:

- limit the period when a stabilisation manager may stabilise a new issue;
- fix the price at which the issue may be stabilised (in the case of shares and warrants, but not bonds); and
- require disclosure of the fact that a stabilisation manager may be stabilising but not that it 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, nor of the price at which they are prepared to buy the securities.

#### Foreign Currency and Exchange Rates

Foreign markets will involve different risks from the UK markets. In some cases the risks will be greater. Investments in foreign securities may expose investors to the risk of exchange rate fluctuation and investors who deposit collateral denominated in one currency may be subject to margin calls in circumstances where the obligations secured by such collateral are denominated in another currency (in addition to the risk of margin calls for fluctuations in relative values). Some currencies are not freely convertible and restrictions may be placed on the conversion and/or repatriation of investors' funds including any profits or dividends.

The 'gearing' or 'leverage' often obtainable in foreign currency ("fx") 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. Some fx transactions have a contingent liability which means that you may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received.

You may sustain a total loss of any margin you deposit with us to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be responsible for the resulting deficit.

Our insolvency or default, or that of any other dealers involved with your fx 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.

#### Emerging Markets

Investors should be aware that there may be potential risks posed by volatile political, legal and commercial conditions in emerging markets which may affect the value of or result in the loss of investments. The quality and reliability of official data published by governments and their agencies in emerging markets might not be equivalent to that available in developed markets. In addition, the absence of developed securities markets as well as potentially underdeveloped banking and telecommunications systems in such countries may give rise to greater custody, settlement, clearing and registration risks. Foreign investment in issuers in emerging markets may be restricted – sometimes such restrictions may not be published and investors may not be readily made aware of them. In such circumstances, there may be restrictions on repatriation of capital or an investment may have to be scaled down to comply with local foreign ownership restrictions.

#### Bonds

A bond is a loan to a company, government or a local authority. Generally, interest is paid to you as the lender and the amount of the loan is repaid at the end of the term.

When you buy or subscribe for bonds, you become a creditor of the issuer of the bonds. The issuer might be a government or a corporate business or it may be an entity that has been formed specifically for the purposes of issuing the bonds (this is normally the case where the bonds pass through to investors the cash flows generated by specific assets, such as corporate loans, residential mortgages or credit card receivables).

Bonds have a nominal value. This is the sum that will be returned to investors when the bond matures at the end of its term. However, because bonds are traded on the bond market, the price you pay for a bond may be more or less than the nominal value. There are several reasons why the price might vary from the nominal value, for example:

- If a bond is issued with a fixed interest rate of, say, 8% and general interest rates then fall well below 8%, then 8% will look like a good yield and the market price of the bond will tend to rise above the nominal value.
- The reverse is also true. If interest rates rise, the fixed rate of a particular bond might become less attractive and its price could fall below the nominal value.
- Ratings agencies might take the view that a particular company's bond no longer qualifies for a high rating – perhaps the company is not doing as well as it was when the bond was issued. If this happens then the market price of the bond might fall. On the other hand, the company's rating may be improved leading to a price rise.
- The inflation rate might start to creep up and the interest rate on some bonds might start to look less attractive compared with other investments.

The risks associated with investing in bonds include:

- Interest rate risk – the risk that bond prices will fall as interest rates rise. By buying a bond, the bondholder has committed to receiving a fixed rate of return for a fixed period. Should the market interest rate rise from the date of the bond's purchase, the bond's price will fall accordingly. The bond will then be trading at a discount to reflect the lower return that an investor will make on the bond.
- Market interest rates are a function of several factors such as the demand for, and supply of, money in the economy, the inflation rate, the stage that the business cycle is in as well as the government's monetary and fiscal policies.
- Call risk – the risk that a bond will be called by its issuer. Callable bonds have call provisions, which allow the bond issuer to purchase the bond back from the bondholders and retire the issue. This is usually done when interest rates have fallen substantially since the issue date. Call provisions allow the issuer to retire the old, high-rate bonds and sell low-rate bonds in a bid to lower debt costs.
- Default risk – the risk that the bond's issuer will be unable to pay the contractual interest or principal on the bond in a timely manner, or at all. Credit ratings services such as Moody's, Standard & Poor's and Fitch give credit ratings to bond issues, which helps to give investors an idea of how likely it is that a payment default will occur.
- Inflation risk – the risk that the rate of price increases in the economy deteriorates the returns associated with the bond. This has the greatest effect on fixed-rate bonds, which have a set interest rate from inception. For example, if an investor purchases a 5% fixed-rate bond and then inflation rises to 10% a year, the bondholder will lose money on the investment because the purchasing power of the proceeds has been greatly diminished. The interest rates of floating-rate bonds are adjusted periodically to match inflation rates, limiting investors' exposure to inflation risk.

Bonds can be bought and sold in the market (like shares) and their price can vary from day to day. A rise or fall in the market price of a bond does not affect what you would get back if you hold the bond until it matures. You will only get back the nominal value of the bond (plus any coupon payment to which you've been entitled during your ownership of the bond), irrespective of what you paid for it.

For some bonds there may be a restricted market and it may be more difficult to deal in them or obtain reliable information about their value (and it may therefore be difficult to establish a proper market in them for the purposes of making a subsequent sale).

Some bonds generate a return that is linked to the performance of a real or notional pool of underlying assets. In such circumstances, the return you receive will depend upon the performance of the underlying pool. Many structured products take the form of bonds (see below for further details of the risks associated with structured products).

As a bondholder you could lose some or (in extreme cases) all of the money that you have invested in the bonds that you hold.

## Warrants

A warrant is a time-limited right to subscribe for shares or bonds at a particular price and is exercisable against the issuer of the warrants. The issuer of the warrants might be either the original issuer of the underlying securities or a third party issuer that has set aside a pool of the underlying securities to cover its obligations under the warrants (these are called covered warrants).

Generally, the success of investing in warrants depends primarily on how the underlying asset performs during the life of the warrant. The price of the warrants will therefore be affected by the risk factors that can affect the price of the underlying securities to which the warrant relates. A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile.

The right to subscribe for underlying securities conferred by a warrant is invariably limited in time with the consequence that if the investor fails to exercise this right within the predetermined time-scale then the investment becomes worthless. The price of a warrant may reflect the value attributed to the life of the warrant.

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.

Transactions in off-exchange warrants may involve 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.

Each warrant is a contract between the warrant issuer and the holder. You are therefore exposed to the risk that the issuer will not perform its obligations under the warrant.

Issuers of warrants sometimes reserve the right to nominate an extraordinary event which may result in the early expiry of a warrant series. The types of events which may be nominated as an extraordinary event are set out in the terms of issue of a warrant series.

Examples of extraordinary events include suspension in trading of the underlying security, the de-listing of the underlying company and a takeover of the underlying company. As a consequence of an extraordinary event the warrant's expiry date may be brought forward, or the warrant may lapse with any intrinsic payment provided to the holder.

## **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 performance of a futures contract depends primarily on how the underlying asset performs during the life of the contract. The value of the future can therefore be affected by any of the risk factors that can affect the price of the underlying asset to which the futures contract relates. 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 investors as well as for you.

Futures transactions have a contingent liability which means that you may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received. By entering into a futures contract, you accept a legal obligation to purchase or sell the underlying asset, however far the market price has moved away from the agreed price.

You may sustain a total loss of any margin you deposit with us to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be responsible for the resulting deficit.

Our insolvency or default, or that of any other brokers involved with your futures 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.

Futures may be executed on an investment exchange or on an OTC basis. While some OTC markets are highly liquid, transactions in OTC 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 OTC 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.

## **Options**

An option gives the buyer of the option the right (but not the obligation) to acquire an underlying security or other asset at a price that has already been agreed or that is determinable in accordance with pre-agreed mechanism. 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, investors can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if investors buy a call option on a futures contract and investors later exercise the option, they will acquire the future. This will expose investors to the risks described under "futures" and "contingent liability investment transactions".

**Writing options:** If investors write an option, the risk involved is considerably greater than buying options. Investors may be liable for margin to maintain their position and a loss may be sustained well in excess of the premium received. By writing an option, investors accept a legal obligation to purchase or sell the underlying asset if the option is exercised against them 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.

The performance of an option that you have written depends primarily on how the underlying asset performs during the life of the option. The value of the option can therefore be affected by any risk factors that can affect the price of the underlying asset to which the option relates. A relatively small movement in the price of the underlying asset can result in a disproportionately large movement, unfavourable or favourable, in the value of the option. The prices of options can therefore be volatile.

If you write options, you may sustain a total loss of any margin you deposit with us to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be responsible for the resulting deficit.

Even if a written option 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

Our insolvency or default, or that of any other brokers involved with your option 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 many exchanges, the performance of a transaction by the relevant broker is 'guaranteed' by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover you, the customer, and may not protect you if the broker or another party defaults on its obligations to you. On request, we can explain the extent of 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 OTC instruments.

Options may be executed on an investment exchange or on an OTC basis. While some OTC markets are highly liquid, transactions in OTC 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 OTC 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.

### **Contracts for Differences ("CFD")**

Futures and options contracts can also be referred to as contracts for differences. These can be options and futures on the FTSE 100 index or any other index, as well as currency and interest rate swaps, spread bets and rolling spot foreign exchange contracts. However, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risk as investing in a future or an option and investors should be aware of these as set out above.

The 'gearing' or 'leverage' often obtainable in CFD 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. CFD transactions have a contingent liability which means that you may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received.

You may sustain a total loss of any margin you deposit with us to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be responsible for the resulting deficit.

Our insolvency or default, or that of any other brokers involved with your CFD 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 many exchanges, the performance of a transaction by the relevant broker is 'guaranteed' by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover you, the customer, and may not protect you if the broker or another party defaults on its obligations to you. On request, we can explain the extent of 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 most CFDs as they are executed on an OTC basis.

CFD transactions may be executed on an investment exchange or on an OTC basis. While some OTC markets are highly liquid, transactions in OTC 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 OTC 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.

### **Structured Products**

Structured Products are products structured to fulfil a particular trading or market objective. A structured product may combine the features of two or more financial instruments (for example a bond and a derivative). Derivatives often constitute an integral part of a structured product. The product may involve an element of leverage and so a relatively small movement in the value of the relevant underlying asset or index may have a significant effect on the value of the structured product.

Structured products are generally not traded on regulated markets and you take the risk on the counterparty issuing the structure. There is typically no recognised market for these investments and it may, therefore, be difficult for you to deal in the investment or to obtain reliable information about its value or the extent of the risks to which it is exposed.

Some structured products include an element of capital protection – however, you should bear in mind that this is not a guarantee that the amount invested will be returned in all circumstances. The capital protection offered is typically subject to the investment being held until maturity and to the creditworthiness of the issuer.

We or an Affiliate may be the issuer of (or may be involved in the design of) structured products that you purchase.

Structured products are often high risk investments and you could lose some or all of the money that you have invested in them.

Further details of the specific risks associated with particular structured products may be made available to you at the time that you invest in them.

### **Contingent Liability Investment Transactions**

Contingent liability investment transactions, which are margined, may require you to make a series of payments apart from any initial payment or premium.



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.

**Limited Liability Transactions**

The extent of your loss on a limited liability 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 equivalent to the amount agreed is substantial.

**Collateral**

If you deposit collateral as security with us for transactions you enter into, 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 any associated clearing house) applying, or trading off-exchange. Collateral may lose its identity as your property once dealings on your behalf are undertaken, particularly where you transfer the title to such collateral and 'right to use' provisions apply. 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.