

RISKS DISCLOSURE STATEMENT

You should note that there are significant risks inherent in investing in certain financial instruments and in certain markets. Investment in derivatives, for example, may expose you 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 into transactions in newly issued securities in respect of which we or any of our affiliated persons is 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. Some regulators allow 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 applicable regulations, 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:

- (a) limit the period when a stabilisation manager may stabilise a new issue;
- (b) fix the price at which the issue may be stabilised (in the case of shares and share options, but not bonds); and
- (c) 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 is 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 domestic 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.

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.

Emerging markets may lack a fully developed legal system and the body of commercial law and practice normally expected to be found in countries with more sophisticated financial markets. Local laws affecting foreign investments continue to evolve in substance and interpretation, however this development might not always be positive for foreign investments as interpretation of the law sometimes might be arbitrary. Laws and regulations affecting foreign investments might change quickly and unpredictably. Additional legal uncertainties arise from various local, regional and national laws and there is a lack of judicial or legislative guidance or interpretation on unclear or conflicting laws. Additionally, government authorities have a broad discretion on the implementation of the laws. Effectively, this means that there is no guarantee that investors can operate in a stable legal or regulatory environment. Having to comply with conflicting and/or arbitrary laws might have an adverse effect on the investments. In addition, the rights of minority shareholders investing in equities have been given less protection than in more developed countries. There may also be no centralised system for recognising documents of title. Inability to prove or defend their title could adversely affect the investors. The rules in emerging markets with respect to regulating ownership, control and corporate governance may be seen as inadequate and may confer less protection for investors as compared to more developed economies. There may be no or few restrictions for the company's management to terminate existing business operations, sell assets or in other ways materially impact the value of a company. Anti-dilution protection is also limited. Redress for violation of shareholder rights may not be as readily available as in developed countries.

Trading in securities on the emerging market may be halted or be subject to trading suspensions caused by extraordinary market volatility. There can be no assurance that the requirements of the market, necessary to maintain the listing of any securities, will continue to be met or will remain unchanged.

Unrated/Non-publicly Offered Securities

When you invest in unrated/non-publicly offered debt securities and unlisted equities and debentures, you may be exposed to a higher credit and liquidity risks. In general, you will have access to less reliable, less detailed and less complete information about the issuers. There may be no obligation for the companies to publish financial information, thus limiting your ability to carry out due-diligence on potential investments. Moreover, the general quality of data published by a company may be below that published through a regulated market. Due to these circumstances you may be obliged to make investment decisions and investment valuations on the basis of financial information that will be less complete and reliable than would be custom in the regulated markets or in relation to public offerings.

Futures

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The 'gearing' or 'leverage' often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you. Futures transactions have a contingent liability and investors should be aware of the implications of this. In general, the value of a future depends upon price movements in the underlying asset. Thus, many of the risks applicable to trading the underlying asset apply equally to the future applicable to such asset. Futures are also exposed to liquidity risk.

Options

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

Buying options: Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, 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 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.

Contracts for Differences

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. 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. Transactions in contracts for differences may also have a contingent liability and these are discussed below.

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 into 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.

Short Selling

Short-selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short-selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss.

Securities Lending

There are risks inherent in securities lending, including the risk of failure of the other party to comply with the terms of the agreement. Such failure can result in a possible loss of rights to the collateral, the inability of the lender to return the securities deposited and the possible loss of corporate benefits accruing thereon. Securities lending activity will involve the possibility of causing drastic falls in collateral values in times of strong downward market trends, resulting in reduced collateral values until rectified by the provision of additional security. This, along with a simultaneous fall in the value of collateral could cause a potential loss. There is also a risk that the stock will not be available for sale during the period for which the stock is lent.

Financial Collateral Arrangements

Where you provide financial instruments to us under a title transfer collateral arrangement, we draw your attention to the following general risks and consequences that may be involved in consenting thereto:

- (a) we have the right to use the financial collateral as the owner of it irrespective of whether there is an event of default or not without giving you any prior notice;
- (b) your rights, including any proprietary rights that you may have had, in those financial instruments will be replaced by an unsecured contractual claim for delivery of equivalent financial instruments subject to the terms of the relevant collateral arrangement;
- (c) those financial instruments will not be held by us in accordance with client asset rules, and, if they had benefited from any client asset protection rights, those protection rights will not apply (for example, the financial instruments will not be segregated from our assets and will not be held subject to a trust);
- (d) the way in which financial instruments subject to the terms of the relevant collateral arrangement will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment, depending on whether you are

trading on a regulated or equivalent market, with the rules of that market (and any associated clearing house) applying, or trading off-exchange;

(e) in the event of our insolvency or default under the relevant agreement your claim against us for delivery of equivalent financial instruments will not be secured and will be subject to the terms of the relevant collateral arrangement and applicable law and, accordingly, you may not receive such equivalent financial instruments or recover the full value of the financial instruments (although your exposure may be reduced to the extent that you have liabilities to us which can be set off or netted against or discharged by reference to our obligation to deliver equivalent financial instruments to you);

(f) in the event that a resolution authority exercises its powers under any relevant resolution regime in relation to us any rights you may have to take any action against us, such as to terminate our agreement, may be subject to a stay by the relevant resolution authority and (i) your claim for delivery of equivalent financial instruments may be reduced (in part or in full) or converted into equity or (ii) a transfer of assets or liabilities may result in your claim on us, or our claim on you, being transferred to different entities, although you may be protected to the extent that the exercise of resolution powers is restricted by the availability of set-off or netting rights;

(g) as a result of your ceasing to have a proprietary interest in those financial instruments you will not be entitled to exercise any voting, consent or similar rights attached to the financial instruments, and even if we have agreed to exercise voting, consent or similar rights attached to any equivalent financial instruments in accordance with your instructions or the relevant collateral arrangement entitles you to notify us that the equivalent financial instruments to be delivered by us to you should reflect your instructions with respect to the subject matter of such vote, consent or exercise of rights, in the event that we do not hold and are not able to readily obtain equivalent financial instruments, we may not be able to comply (subject to any other solution that may have been agreed between the parties);

(h) in the event that we are not able to readily obtain equivalent financial instruments to deliver to you at the time required: you may be unable to fulfil your settlement obligations under a hedging or other transaction you have entered into in relation to those financial instruments; a counterparty, exchange or other person may exercise a right to buy-in the relevant financial instruments; and you may be unable to exercise rights or take other action in relation to those financial instruments;

(i) subject to any express agreement between you and us, we will have no obligation to inform you of any corporate events or actions in relation to those financial instruments;

(j) you will not be entitled to receive any dividends, coupon or other payments, interests or rights (including securities or property accruing or offered at any time) payable in relation to those financial instruments, although the express written terms of the relevant collateral

arrangement or transaction may provide for you to receive or be credited with a payment by reference to such dividend, coupon or other payment (a 'manufactured payment');

(k) the provision of title transfer collateral to us in respect of any financial collateral provided to us by you and the delivery by us to you of equivalent financial instruments may give rise to tax consequences that differ from the tax consequences that would have otherwise applied in relation to the holding by you or by us for your account of those financial instruments;

(l) where you receive or are credited with a manufactured payment, your tax treatment may differ from your tax treatment in respect of the original dividend, coupon or other payment in relation to those financial instruments.

Extended Hours Trading

Increased trading opportunity means increased ability to react to news and earnings reports that occur during pre- and post-market sessions. However the extended hours trading involves material trading risks, including the possibility of the following:

(a) Risk of timing of order entry. All orders entered and posted during extended-hours trading sessions must be limit orders. You must indicate the price at which you would like your order to be executed. By entering the price, you agree not to buy for more or sell for less than the price you entered, although your order may be executed at a better price. Your order will be executed if it matches an order from another investor or market professional to sell or purchase on the other side of the transaction. In addition, there may be orders entered ahead of your order by investors willing to buy or sell at the same price. Orders entered earlier at the same price level will have a higher priority. This means that if the market is at your requested price level, an order entered prior to your order will be executed first. This may prevent your order from being executed in whole or in part.

(b) Risk of execution pricing. For extended-hours trading sessions, quotations will reflect the bid and ask currently available through the utilized quotation service. The quotation service may not reflect all available bids and offers posted by other venues, and may reflect bids and offers that may not be accessible through us or respective trading partners. This quotation montage applies for both pre- and post-market sessions. Not all systems are linked; therefore you may pay more or less for your security purchases or receive more or less for your security sales through an exchange or market than you would for a similar transaction on a different exchange or market.

(c) Risk of lower liquidity. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as

compared to regular market hours. As a result, your order may only be partially executed, or not at all.

(d) Risk of higher volatility. Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed or not at all.

(e) Risk of changing prices. The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening the next morning. As a result, you may receive a price in extended hours trading which is inferior to that you would obtain during regular market hours.

(f) Risk of unlinked markets. Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive a price in one extended hours trading system inferior to one you would obtain in another extended hours trading system.

(g) Risk of news announcements. Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

(h) Risk of wider spreads. The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

(i) Risk of duplicate orders. There is a risk of duplicate orders if you place an order for the same security in both an extended-hours session and the regular trading session, even if that order is a day order. Orders executed during regular trading hours may not be confirmed until after the post-market extended trading session has already begun. Similarly, orders executed in the pre-market session may not be confirmed until after regular trading has begun.

(j) No Support. We do not have customer service 24 hours. This means that we will not answer client calls during much of the pre- and post-market trading sessions. This greatly increases the risk of loss if you make an error or if there is a system issue because no one will attend to your call until the beginning of customer service hours. You are solely responsible for any loss that occurs in its account for any reason during the non-core session.