

## **RISK DISCLOSURE: financial collateral arrangements**

1. Where you provide financial instruments to us under a title transfer collateral arrangement (including securities margin transfers under repurchase or securities lending transactions) or if we exercise a right of use in relation to any financial instruments that you have provided to us by way of collateral under a security collateral arrangement containing a right of use, 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 your claim for delivery of equivalent financial instruments may be reduced (in part or in full) or converted into equity or 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, our exercise of a right of use 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.

2. Where we provide you with clearing services (whether directly as a clearing member or otherwise), we draw your attention to the following additional risks and consequences:

- (a) if we are declared to be in default by an EU central counterparty (“EU CCP”) the EU CCP will try to transfer (“port”) your transactions and assets to another clearing broker or, if this cannot be achieved, the EU CCP will terminate your transactions;
- (b) in the event that other parties in the clearing structure default (e.g., a central counterparty, a custodian, settlement agent or any clearing broker that we may instruct) you may not receive all of your assets back and your rights may differ depending on the law of the country in which the party is incorporated (which may not necessarily be Cyprus law) and the specific protections that that party has put in place;
- (c) in some cases a central counterparty may benefit from legislation which protects actions it may take under its default rules in relation to a defaulting clearing member (e.g., to port transactions and related assets) from being challenged under relevant insolvency law.