ABN·AMRO Clearing

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AACB Risk Disclosure on Financial Instruments for Professional Clients

INTRODUCTION

The information contained in these disclosures do not and cannot disclose everything about the nature and risks of all financial instruments in respect of which ABN AMRO Clearing may offer services to you. Rather it is a general description of the nature and risks of financial instruments, which explains the nature of the specific types of instruments in respect of which ABN AMRO Clearing may offer services to you, as well as the risks particular to those instruments. You should not deal in these financial instruments unless you understand their nature and the extent of your exposure to risk. You should also be satisfied that the product is suitable for you in the light of your circumstances and financial position. Although financial instruments can be utilised for the management of investment risk, certain financial instruments can be unsuitable for certain investors. Different financial instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should make your own, careful analysis. In addition, you should also read any relevant documentation, for example prospectus, term sheets and offering memoranda, which may highlight a non-exhaustive set of additional risks particular to a financial instrument, structured deposit, commodity or other financial product or service. You should not rely only on these risks highlighted in this Risk Disclosure as being the only risks in relation to a financial instrument or service.

PART A: GENERAL RISKS

1. GENERAL

The price or value of an investment will depend on fluctuations in the financial markets outside of anyone's control. Past performance is no indicator of future performance. The nature and extent of investment risks varies between countries and from investment to investment. These investment risks will vary with, amongst other things, the type of investment being made, including how the financial products have been created or their terms drafted, the needs and objectives of particular investors, the manner in which a particular investment is made or offered, sold or traded, the location or domicile of the issuer, the diversification or concentration in a portfolio (e.g. the amount invested in any one currency, security, country or issuer), the complexity of the transaction and the use of leverage. The risk types set out below could have an impact on each type of investment:

2. LIQUIDITY AND NON-READILY REALISABLE SECURITIES

The liquidity of an instrument is directly affected by the supply and demand for that instrument and also indirectly by other factors, including market disruptions (for example a disruption on the relevant exchange) or infrastructure issues, such as a lack of sophistication or disruption in the securities settlement process. Under certain trading conditions it may be difficult or impossible to liquidate or acquire a position. This may occur, for example, at times of rapid price movement if the price rises or falls to such an extent that under the rules of the relevant exchange trading is suspended or restricted. There is no certainty there will be market makers available to provide price or markets for such investments and hence it may be difficult to sell them within a reasonable or desired timeframe or at a price which reflects “ fair” value. In addition, unless the contract terms so provide, a party may not be obliged to accept early termination of a contract or buy back or redeem the relevant product and there may therefore be zero liquidity in the product. Early termination, realisation or redemption of a contract may result in you receiving substantially less than you paid for the product or, in some cases, nothing at all.

In extreme cases, an investment may be non-readily realisable. This means that the investment is neither a government security, nor a listed investment, nor an investment that regularly trades on an exchange. Market conditions or restrictions resulting from the operation of rules within certain markets may restrict or render it impossible to liquidate transactions. There is a risk that any termination or unwinding of time restricted investments may result in losses. In this case there may be no secondary market available, and it may be difficult to obtain any reliable independent information about the value and risks associated with such an investment.

3. (COUNTERPARTY) CREDIT RISK

Credit risk is the risk of loss caused by borrowers, bond obligors, guarantors, or counterparties failing to fulfil their obligations or the risk of such parties’ credit quality deteriorating. Exposure to the credit risk of one or more reference entities is particularly relevant to any credit linked product such as credit linked notes, and the potential losses which may be sustained, and the frequency and likelihood of such losses occurring, when investing in credit links products may be substantially greater than when investing in an obligation of the reference entity itself. Where available for applicable securities and markets, rating agencies (e.g. S&P, Moody’s and Fitch) categorise risks based on their respective rating schedules which can be used to evaluate creditworthiness over both the short and long term.

4. INVESTMENT LEVERAGE OR GEARING

Leverage involves using borrowed money, either in the form of financial instruments or capital, to increase the potential return on an investment. Use of borrowing to invest increases both the volatility and the risk of an investment. The degree of leverage used can work favourably or unfavourably with a potential to disproportionately affect returns on investments. This increase in volatility and risk applies to investments where the issuer or counterparty has significant borrowings, or if an investment vehicle otherwise allows an investor to gain much greater economic exposure to an asset than is paid for at the point of sale. It also applies if an investor borrows money for the specific purpose of investing.

The impact of leverage can include, but is not limited to, the following: (i) movements in the price of an investment leads to much greater volatility in the value of the leveraged position, and this could lead to sudden and large falls in value; (ii) the impact of interest costs could lead to an increase in any rate of return required to break even; (iii) leveraged transactions involve the possibility of greater loss than transactions for which you are not borrowing money; (iv) you may receive no return from the investment at all and may lose the entire amount of the initial capital invested, if there are significantly large falls in the value of the investment; and (v) you may be requested to deposit additional collateral with ABN AMRO Clearing at short notice as a result of adverse movements in leveraged transactions and (vi) to the extent that you have borrowed money and there is any deficit between the value of interest charged for any borrowed money and amount of collateral held with ABN AMRO Clearing, you may be requested to deposit additional collateral with ABN AMRO Clearing.

5. MARKET RISK

5.1. General
The price of investments fluctuates depending on market supply and demand, investor perception and the prices of any underlying or allied investments or, indeed, sector, political and economic factors. These can be, and often are, totally unpredictable.

5.2 Currency
In respect of any foreign exchange transactions and transactions in derivatives and securities that are denominated in a currency other than that in which your account is denominated, a movement in exchange rates may have a favourable or an unfavourable effect on the gain or loss achieved on such transactions. The weakening of a country's currency relative to a benchmark currency or the currency of your portfolio will negatively affect the value of an investment denominated in that currency. Currency valuations are linked to a host of economic, social and political factors and can fluctuate greatly, even during intra-day trading. Some countries have foreign exchange controls which may include the suspension of the ability to exchange or transfer currency, or the devaluation of the currency. Hedging can increase or decrease the exposure to any one currency, but may not eliminate completely exposure to changing currency values.

5.3 Foreign markets
Any foreign investment or investment with a foreign element can be subject to the risks of foreign markets which may involve different risks from those of the home market of the investor. In some cases the risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign currency denominated contracts will be affected by fluctuations in currency exchange rates.

5.4 Emerging Markets
Price volatility in emerging markets, in particular, can be extreme. Price discrepancies, low trading volumes and wide pricing spreads can be common and unpredictable movements in the market not uncommon. Additionally, as news about a country becomes available, the financial markets may react with dramatic upswings and/or downswings in prices during a very short period of time. Emerging markets generally lack the level of transparency, liquidity, efficiency, market infrastructure, legal certainty and regulation found in more developed markets. For example, these markets might not have regulations governing market or price manipulation and insider trading or other provisions designed to "level the playing field" with respect to the availability of information and the use or misuse thereof in such markets. They may also be affected by sector, economic and political risk. It may be difficult to employ certain risk and legal uncertainty management practices for emerging markets investments, such as forward currency exchange contracts or other derivatives. The impact of the imposition or removal of foreign exchange controls at any time should be considered, as well as potential difficulties in repatriation of assets. The risks associated with nationalisation or expropriation of assets, the imposition of confiscatory or punitive taxation, restrictions on investments by foreigners in an emerging market, sanctions, war and revolution should also be considered.

5.5 Interest Rates
Interest rates can rise as well as fall. A risk with interest rates is that the relative value of a security, especially a bond, will worsen due to an interest rate increase. This could impact negatively on other products. There are

additional interest rate related risks in relation to floating rate instruments and fixed rate instruments; interest income on floating rate instruments cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of floating rate instruments at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the relevant instruments provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. Changes in market interest rates have a substantially stronger impact on the prices of zero coupon bonds than on the prices of ordinary bonds because the discounted issue prices are substantially below par. If market interest rates increase, zero coupon bonds can suffer higher price losses than other bonds having the same maturity and credit rating.

5.6 Over-the-Counter (“OTC”)
Subject to applicable law, transactions may be conducted OTC. While some OTC markets are highly liquid, transactions in OTC securities may involve greater risk than investing in on exchange securities because it may be difficult to liquidate an existing position, to assess the value of the position or to assess the exposure to risk. It may not always be apparent whether or not a particular investment is purchased on exchange or OTC.

5.7 Suspension or restriction of trading and pricing relationships
Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or “ circuit breakers”) may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. Further, in relation to derivatives and structured products where the value of the instrument is dependent upon, or derived from, one or more underlying interests, pricing relationships between the underlying interest and the instrument may not exist or deviate significantly from expectations. A change in the price of the underlying interest may not result in a proportionate change in price of the instrument. The absence of an underlying reference price may make it difficult to judge “ fair value” .

6. CLEARING HOUSE PROTECTIONS/SETTLEMENT RISK

On many exchanges, the performance of a transaction may be “guaranteed” by the exchange or clearing house. However, this guarantee is usually in favour of the exchange or clearing house member. As such, the client will be unable to enforce the guarantee but will be dependent on the creditworthiness and the bankruptcy regime of the firm through whom the transaction was executed. There is, typically, no clearing house for off exchange OTC instruments which are not sufficiently liquid to be traded under the rules of an exchange (although unlisted transferable securities may be cleared through a clearing house) with the exception of OTC instruments which are obliged to be cleared in accordance with applicable regulation. In securities markets, the transfer of securities between an investor and their broker is often performed as a separate settlement at the local depository and would thus not benefit from the protection of a clearing house.
Settlement risk is the risk that a counterparty does not deliver the security (or its value) in accordance with the agreed terms after the other counterparty has already fulfilled its part of the agreement to so deliver. Settlement risk increases where different legs of the transaction settle in different time zones or in different settlement systems where netting or true delivery versus payment settlement is not possible. This risk is particularly acute in foreign exchange transactions and currency swap transactions.

7. INSOLVENCY

The insolvency or default of the firm with whom you are dealing, or of any brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent or, indeed, investments not being returned to you. There is also insolvency risk in relation to the investment itself, for example of the company that issued a share or bond or of the counterparty to off-exchange derivatives (where the risk relates to the derivative itself and to any collateral or margin held by the counterparty).

Banks and other financial institutions may become subject to resolution procedures. In such situations the value of shares and certain debt instruments issued by the bank or financial institution may be written down in whole or in part.

8. COMMODITIES

The prices of commodities may be volatile, and, for example, may fluctuate substantially if natural disasters or catastrophes, such as hurricanes, fires, pandemics or earthquakes, affect the supply or production of such commodities. The prices of commodities may also fluctuate substantially if conflict or war affects the supply or production of such commodities. If any interest and/or the redemption amount payable in respect of any product is linked to the price of a commodity, any change in the price of such commodity may result in the reduction of the amount of interest and/or the redemption amount payable. The reduction in the amount payable on the redemption of an investment may result, in some cases, in you receiving a smaller sum on redemption of a product than the amount originally invested in such product.

9. REGULATORY/LEGAL/TAX

Returns on all, and particularly new, investments are at risk from regulatory or legal actions and changes which can, amongst other issues, alter the profit potential of an investment. Legal changes could even have the effect that a previously acceptable investment becomes illegal. Changes to related issues such as tax may also occur and could have a large impact on profitability. Such risk is unpredictable and can depend on numerous political, economic and other factors. For this reason, this risk is greater in emerging markets but does apply everywhere. In emerging markets, there is generally less government supervision and regulation of business and industry practices, stock exchanges and over-the-counter markets.

The type of laws and regulations with which investors are familiar in the EEA may not exist in some places, and where they do, may be subject to different or arbitrary application or interpretation and may be changed with retroactive effect. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. Judges and courts in many countries are generally inexperienced in the areas of business and corporate law. Companies are exposed to the risk that legislatures will revise established law in response to economic or political pressure or popular discontent. There is no guarantee that an overseas investor would obtain a satisfactory remedy in local courts in case of a breach of local laws or regulations or a dispute over ownership of assets. An investor may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in overseas courts.

In the case of many products, there will be no legal or beneficial interest in the obligations or securities of the underlying reference entity but rather an investor will have a contractual relationship with the counterparty only and its rights will therefore be limited to contractual remedies against the counterparty in accordance with the terms of the relevant product.

Bail-in

Certain jurisdictions have created legal and/or regulatory frameworks and bodies to rescue failing financial institutions by using a bail-in tool that involves either the cancellation of the liabilities (typically unsecured) of the failing entity, in whole or in part, or the conversion of such liabilities into another security, including ordinary shares of the surviving entity (if any). The terms and rights associated with such financial instruments (e.g. date of maturity or interest rate payable) may be varied or payments suspended, or the instruments may be converted into ordinary shares or other instruments of ownership, which have different risks or rights associated with them. Your investment in such instruments issued by an institution that is subject to a resolution regime or even in instruments which are exposed to such “in-scope” instruments may therefore be written down to zero and you will lose the entire capital you have invested in that instrument or security. The exercise of the “ bail in” and other powers under the relevant resolution regime may not constitute an event of default under the terms of your investments and you will have limited recourse to challenge the use of such measures.

10. CONTRACTUAL PROVISIONS RISK

You should request the contractual terms and conditions governing the respective transactions from the firms that you are dealing with. These may limit your rights and obligations under a transaction or oblige you to make/take a physical delivery of assets in connection with that transaction.

In addition, a product may contain provisions which could operate against your interests. For example, they may permit early redemption or termination at a time which is unfavourable to you, or they may give wide discretion to the issuer of securities to revise the terms applicable to securities. In other cases there may be limits on the amounts in relation to which rights attaching to securities may be exercised and in the event that you hold too many (or too few) securities, your interests may be prejudiced and should scrutinise these carefully. In some cases, the exercise of rights by others may impact on your investment. For example, a product such as a bond or note may contain provisions for calling meetings of holders of those bonds or notes to consider matters affecting their interests generally (including yours) and may permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Further, in some cases amendments may be made to the terms and conditions of bonds or notes without the consent of any of the holders in circumstances set out in general conditions attaching to such bonds or notes.

11. OPERATIONAL RISK

11.1 System Failure

Operational risk, such as breakdowns or malfunctioning of essential systems and controls, including IT and electronic trading or order routing systems, can impact all financial products and expose you to related risks.

11.2 Differences between electronic trading systems

Trading or routing orders through electronic systems varies widely among the different electronic systems. You should consult the rules and regulations of the exchange offering the electronic system and/or listing the contract traded or order routed to understand, among other things, in the case of trading systems, the system’s order matching procedure, opening and closing procedures and prices, error trade policies and trading limitations or requirements; and, in the case of all systems, qualifications for access and grounds for termination and limitations on the types of orders that m ay be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times, and security. In the case of internet based systems, there may be additional types of risks related to system access, varying response times and security, as well as risks related to service providers and the receipt and monitoring of electronic mail.

12. CONFLICTS OF INTEREST RISK

ABN AMRO Clearing maintains a conflicts of interest policy for identifying, preventing and managing conflicts of interest between ABN AMRO Clearing (including its managers and employees) or any person directly or indirectly linked to ABN AMRO Clearing by control and you, or between you and another client that arise in the course of providing services, as required by the applicable rules and regulations. In the unlikely circumstance that the organisational or administrative arrangements that are in place in respect of conflicts of interest are not able to ensure, with reasonable confidence, that the risks of damage to you will be prevented, ABN AMRO Clearing will make you aware of the possibility of such conflict or material interest as well as the steps taken to mitigate those risks prior to providing services to you and may ask you to consent to us acting notwithstanding such conflict or material interest. ABN AMRO Clearing may also decline to act where it believes that there is no other practicable way of treating you (or, where applicable, your principal or principals) and the other clients of ABN AMRO Clearing fairly.

If you object to ABN AMRO Clearing acting where ABN AMRO Clearing has disclosed that it has a conflict or material interest, you should notify your usual contact at ABN AMRO Clearing in writing. Unless so notified, ABN AMRO Clearing will assume that you do not object to ABN AMRO Clearing so acting.

In the ordinary course of its business, ABN AMRO Clearing and any of its affiliates, will be subject to various actual and potential conflicts of interest which may operate against your interests.

PART B – GENERIC RISKS ABOUT FINANCIAL INSTRUMENTS

1. EQUITY INSTRUMENTS

1.1 General
A risk with an equity investment is that the investment is closely linked to the issuing company and dependent on whether it elects to pay dividends to its shareholders. If the share price falls, the company, if listed or traded on-exchange, may then find it difficult to raise further capital to finance the business, and the company’s performance may deteriorate vis à vis its competitors, leading to further reductions in the share price. Ultimately the company may become vulnerable to a takeover or may fail.
Shares have exposure to all the major risk types referred to in Part A above. In addition, there is a risk that there could be volatility or problems in the sector that the company is in. If the company is private, i.e. not listed or traded on an exchange, or is listed but only traded infrequently, there may also be liquidity risk, whereby shares could become very difficult to dispose of.

1.2 Ordinary shares

Shareholders become co-owners of the company and participate in the company's development as well as in chances for profits and losses. Share prices may undergo unforeseeable price fluctuations causing risks of loss. Investing in shares that are concentrated in a specialist sector is considered to be a higher risk strategy due to the concentrated exposure to the market sector in question. General market risk must be distinguished from the specific risk attached to the company itself.

There is no guaranteed return on an investment in ordinary shares for the reasons set out in no. 1.1 above, and in a liquidation of the issuer, ordinary shareholders are amongst the last with a right to repayment of capital and any surplus funds of the issuer, which could lead to a loss of a substantial proportion, or all, of the original investment.

1.2.1 Fractions

Fractions are fractions of shares or ETFs. Due to their very nature they carry certain additional risks compared to ordinary shares. An example of this is the diminished portability of the fractions. Fractions do benefit from dividends and corporate action benefits pro rata to the fraction but do not carry voting rights. You should take particular note of the restrictions in the terms and conditions of the respective transaction/service in particular with regard to a possible forced sale when terminating your relationship with your broker.

1.3 Preference shares

Unlike ordinary shares, preference shares give shareholders the right to a fixed dividend the calculation of which is not based on the success of the issuer company. Accordingly, they tend to be a less risky form of investment than ordinary shares.

Preference shares do not usually give shareholders the right to vote at general meetings of the issuer, but shareholders will have a greater preference to any surplus funds of the issuer than ordinary shareholders, should the issuer go into liquidation. There is still a risk that you may lose all or part of your capital.

1.4 Depositary Receipts

Depositary Receipts (ADRs, GDRs, etc.) are negotiable certificates, typically issued by a bank, which represent a specific number of shares in a company, traded on a stock exchange which is local or overseas to the issuer of the receipt. They may facilitate investment in the companies due to the widespread availability of price information, lower transaction costs and timely dividend distributions. The risks involved relate both to the underlying share (see no. 1.1 - 1.3 above) and to the bank issuing the receipt. In addition, there are important differences between the rights of holders of ADRs and GDRs, (together, "Depositary Receipts") and the rights of holders of the shares of the underlying share issuer represented by such Depositary Receipts. The relevant deposit agreement for the Depositary Receipt sets out the rights and responsibilities of the depositary (being the issuer of the Depositary Receipt), the underlying share issuer and holders of the Depositary Receipt which may be different from the rights of holders of the underlying shares. For example, the underlying share issuer may make distributions in respect of its underlying shares that are not passed on to the holders of its Depositary Receipts. Any such differences between the rights of holders of the Depositary Receipts and holders of the underlying shares of the underlying share issuer may be significant and may materially and adversely affect the value of the relevant instruments.

Depositary Receipts representing underlying shares in a foreign jurisdiction (in particular an emerging market jurisdiction) also involve risks associated with the securities markets in such jurisdictions.

1.5 Penny shares
There is an extra risk of losing money when shares are bought in some smaller companies, including penny shares. There is a big difference between the buying price and the selling price of these shares. If they have to be sold immediately, you may get back much less than you paid for them. The price may change quickly and it may go down as well as up.

2. WARRANTS

A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities. A relatively small movement in the price of the underlying security could result 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 any of the investment products listed in no. 1 above or no. 3 or 4 below which a warrant confers, is invariably limited in time, with the consequence that if the investor fails to exercise this right within the pre-determined time-scale, the investment becomes worthless.

If subscription rights are exercised, the warrant holder may be required to pay to the issuer additional sums (which may be at or near the value of the underlying assets). Exercise of the warrant will give the warrant holder all the rights and risks of ownership of the underlying investment product.

A warrant is potentially subject to all of the major risk types referred to in Part A above. 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. Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a covered warrant). For these instruments, see no. 6.3 below.

3. MONEY-MARKET INSTRUMENTS

Money market instruments are short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include Treasury Bills, commercial paper and certificates of deposit. They are generally short term and therefore more liquid than other investments. When the equity and debt markets are extremely volatile, investing in money market instruments is generally considered to be lower risk. However, these instruments and their market price could be adversely exposed to interest and market risks given the speed and quantum of transactions undertaken in these instruments during periods of volatile market movements. Like other debt instruments (see no. 4 below), money-market instruments may be exposed to the major risk types in Part A above, in particular credit and interest rate risk.

4. DEBT INSTRUMENTS/BONDS/DEBENTURES

All debt instruments are potentially exposed to the major risk types in Part A above, in particular (counterparty) credit risk and interest rate risk. Debt securities may be subject to the risk of the issuer’s inability to meet principal and/or interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, general market liquidity, and other economic factors, amongst other issues. When interest rates rise, the value of corporate debt securities can be expected to decline. Fixed-rate transferable debt securities with longer maturities/lower coupons tend to be more sensitive to interest rate movements than those with shorter maturities/higher coupons.

Bonds are debt instruments issued by a company or a government body to creditors and whose par value at issuance represents a fraction of the total amount of the debt. The duration of the debt as well as the terms and conditions of repayment are determined in advance. The issuer may become temporarily or permanently insolvent, resulting in its incapacity to repay the interest or redeem the bond. The deterioration of the issuer's solvency will influence the price of the securities that it issues. The value of a bond will fall in the event of a default or reduced credit rating of the issuer.

Prior to their exchange or conversion, the price volatility of exchangeable or convertible bonds may differ from that of non-exchangeable or non-convertible bonds due to the impact of the potential for exchange or conversion into a new instrument. Once exchanged or converted into a new instrument, that new instrument will carry the risks relevant to it as outlined elsewhere in this document – for example the risks associated with shares outlined in no. 1 above where the conversion or exchange is into shares.

5. UNITS IN COLLECTIVE INVESTMENT SCHEMES

Collective investment products are any form of investment that involves the pooling of investors' funds. They include but are not limited to investment trusts, unit trusts, open ended investment companies, offshore funds, exchange traded funds, real estate investment companies and hedge funds. These are all investment vehicles that invest their assets in the securities of other issuers, or in cash, in accordance with their own internal rules. Collective investment schemes and their underlying assets are potentially exposed to all of the major risk types referred to in Part A above. Collective investment products enable clients to participate in a more broadly spread portfolio of investments which seek to diversify and spread risk. However, some collective investments may consist of concentrated portfolios and would not have the diversity of investment that is generally expected from a pooled fund. Any income received from investing in collective investment products may vary with the dividends or interest paid by the underlying investments and so could fall as well as rise. In the case of open-ended funds, in particular hedge funds, there may be limitations in the ability to redeem units and such funds may also engage in shorting or leveraging techniques. Some collective investments may lack liquidity, and/or may involve complex tax structures and delays in distributing important information.

The valuation of a collective investment scheme is generally controlled by the relevant fund manager or the investment adviser (as the case may be) of the collective investment scheme. Valuations are performed in accordance with the terms and conditions governing the collective investment scheme. Such valuations may be based upon the unaudited financial records of the collective investment scheme and any accounts pertaining thereto. Such valuations may be preliminary calculations of the net asset values of the collective investment schemes and accounts. The collective investment scheme may hold a significant number of investments which are illiquid or otherwise not actively traded and in respect of which reliable prices may be difficult to obtain. In consequence, the relevant fund manager or the investment adviser may vary certain quotations for such investments held by the collective investment scheme in order to reflect its judgement as to the fair value thereof. Therefore, valuations may be subject to subsequent adjustments upward or downward. Uncertainties as to the valuation of the collective investment scheme assets and/or accounts may have an adverse effect on the net asset value of the relevant collective investment scheme where such judgements regarding valuations prove to be incorrect.

A collective investment scheme and any collective investment scheme components in which it may invest may utilise (inter alia) strategies such as short-selling, leverage, securities lending and borrowing, investment in sub-investment grade or non-readily realisable investments, uncovered options transactions, options and futures transactions and foreign exchange transactions and the use of concentrated portfolios, each of which could, in certain circumstances, magnify adverse market developments and losses. Collective investment schemes, and any collective investment scheme components in which it may invest, may make investments in markets that are volatile and/or illiquid and it may be difficult or costly for positions therein to be opened or liquidated. The performance of each collective investment scheme and any collective investment scheme component in which it may invest is dependent on the performance of the collective investment scheme managers in selecting collective investment scheme components and the management of the relevant component in respect of the collective investment scheme components. In addition, the opportunities to realise an investment in a collective investment scheme is often limited in accordance with the terms and conditions applicable to the scheme and subject to long periods of advance notice (during which the price at which interests may be redeemed may fluctuate or move against you). There may be no secondary market in the collective investment scheme and therefore an investment in such a scheme may be (highly) illiquid.

You should also familiarise yourself with any documentation relating to such an investment for example, key information documents, prospectuses and fund fact sheets.

6. DERIVATIVES, INCLUDING OPTIONS, FUTURES, SWAPS, FORWARD RATE AGREEMENTS, FINANCIAL CONTRACTS FOR DIFFERENCES

The risks set out in no. 6.1- 6.5 below may arise in connection with all types of derivative contract, whether it is in the form of a listed instrument, an over-the-counter (“OTC”) instrument, or a securitised product such as a note or a certificate.

6.1 Derivatives General

Derivatives are financial instruments traded on or off-exchange of which the price is directly dependent upon the value of one or more underlying securities, equity indices, debt instruments, commodities or any agreed upon pricing index or arrangement. Although derivative instruments can be utilized for the management of investment risk, some of these products are unsuitable for many investors. Any product with an ‘element’ of ‘gearing’ or ‘leverage’ can lead to loses or gains being more than the initial deposit.

There are many types of derivative, but options, futures and swaps are among the most common. An investor in derivatives often assumes a high level of risk, and therefore investments in derivatives should be made with caution, especially for less experienced investors or investors with a limited amount of capital to invest.

If a derivative transaction is particularly large or if the relevant market is illiquid (as may be the case with many privately negotiated off-exchange derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

On-exchange derivatives are subject, in addition, to the risks of exchange trading generally, including potentially the requirement to provide margin. Off-exchange derivatives may take the form of unlisted transferable securities or bi-lateral OTC contracts. Although these forms of derivatives may be traded differently, both arrangements may be subject to credit risk of the issuer (if transferable securities) or the counterparty (if OTCs) and, like any contract, are subject also to the particular terms of the contract (whether a one-off transferable security or OTC, or a master agreement), as well as the risks identified in Part A above. In particular, with an OTC contract, the counterparty may not be bound to “close out” or liquidate this position, and so it may not be possible to terminate a loss-making contract. Off-exchange derivatives are individually negotiated. As the terms of the transactions are not standardised and no centralised pricing source exists (as exists for exchange traded instruments), the transactions may be difficult to value. Different pricing formulas and financial assumptions may yield different values, and different financial institutions may quote different prices for the same transaction. In addition, the value of an off-exchange derivative will vary over time and is affected by many factors, including the remaining time until maturity, the market price, price volatility and prevailing interest rates.

Derivatives can be used for speculative purposes or as hedges to manage other investment or economic risks. In all cases the suitability of the transaction for the particular investor should be very carefully considered. You are therefore advised to ask about the terms and conditions of the specific derivatives and associated obligations (e.g. the circumstances under which you may become obligated to make or take delivery of an underlying asset and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying asset.

Normal pricing relationships between the underlying asset and the derivative may not exist in all cases. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to assess ‘fair’ value.

The points set out below in relation to different types of derivative are not only applicable specifically to these derivatives but are also applicable more widely to derivatives generally. All derivatives are potentially subject to the major risk types in Part A above, especially market risk, credit risk, leverage and gearing and any specific sector risks connected with the underlying asset.

6.2 Futures/Forwards/Forward rate agreements

Transactions in futures or forwards 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. Futures and forwards transactions have a contingent liability, and you should be aware of the implications of this, in particular margining requirements: these are that, on a daily basis, with all exchange-traded, and most OTC off-exchange, futures and forwards, you will have to pay in cash the equivalent of any losses incurred on a daily basis and if you fail to, the contract may be terminated. See further no. 1 and 2 of Part C below.

6.3 Options

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

Put option: a put option is an option contract that gives the holder (buyer) of the option the right to sell a certain quantity of an underlying security to the writer of the option at a specified price (the strike price) up to a specified date (the expiration date).

Call option: a call option is an option contract that gives the holder (buyer) the right to buy a certain quantity of an underlying security from the writer of the option, at a specified price (the strike price) up to a specified date (the expiration date).

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

'contingent liability investment transactions'. 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.
Writing options: If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position (as explained in no. 6.2 above) and a loss may be sustained well in excess of the premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price.

If you already own the underlying asset which you have contracted to sell (known as 'covered call options') the risk is reduced. If you do not own the underlying asset (known as '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.

Depending on the type of option entered into, there may be increased exposure to market risk (see further, no. 5 of Part A above) when compared to other financial products. There are several option styles including (but not limited to) American-, European- and Bermuda-style. An American-style option may be exercised at any time prior to its expiration. A European-style option may only be exercised on a specific date, its expiration date. A Bermuda- style option may be exercised on certain specified dates during the term of the transaction.
If you buy an American-style call option and the relevant market price of the underlying asset never rises above the strike price on the option (or if you fail to exercise the option while such condition exists), the option will expire unexercised and you will have lost the premium you paid for the option. Similarly, if you buy an American-style put option and the relevant market price for the underlying asset does not fall below the option strike price (or if you fail to exercise the option while such condition exists), the option will not be exercised and you will have lost the premium you paid for the put option.

Purchasing European-style or Bermuda-style options may carry additional market risk since the option could be “in-the-money” for part or substantially all of the holding period but not on the exercise date(s). A call option is “in-the-money” if the strike price is lower than the relevant market price for the underlying asset. A put option is “in-the-money” if the strike price is higher than the relevant market price for the underlying asset.
It is even possible for the holder of an exercised, “in-the-money” option to lose money on an option transaction. Such a situation exists whenever the value received under the option fails to exceed the purchaser’s costs of entering into the option transaction (the premium and any other costs and expenses).
If you are a potential writer of an option, you should consider how the type of option affects the timing of your potential payment and delivery obligations thereunder. As the writer of a European-style option, the timing of any payment and delivery obligations is predictable. Absent early termination, no settlements will be necessary prior to the expiration date. As the writer of an American-style option, however, you must be certain that you are prepared to satisfy your potential payment and delivery obligations at any time during the exercise period (possibly quite soon following the sale of the option).

6.4 Contracts for differences

Certain derivatives are referred to as contracts for differences. These can be options and futures on any index of an exchange, as well as equity, currency and interest rate swaps, amongst others. However, unlike other futures and options (which may, depending on their terms, be settled in cash or by delivery of the underlying asset), these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option as referred to in no. 6.2 and 6.3 above. Transactions in contracts for differences may also have a contingent liability.

6.5 Swaps

A swap agreement is a derivative where two counterparties exchange one stream of cash flows against another stream, calculated by reference to an “underlying” (such as securities’ indices, bonds currencies, interest rates or commodities, or more intangible items). A swap agreement may also be combined with an option. Such an option may be structured in two different ways. On the one hand, “swaptions” are transactions that give the purchaser of the swaption the right, against payment of a premium, to exercise or not to exercise, until the agreed maturity date, its right to enter into a pre-agreed swap agreement. On the other hand, “caps”, “floors” and “collars” enable a party, against payment or receipt of a premium, to protect itself against, or to take an exposure on, the variation on the value or level of an underlying.

A major risk of off-exchange derivatives, (including swaps) is known as counterparty risk, whereby a party is exposed to the inability of its counterparty to perform its obligations under the relevant financial instrument. For example if a party, A, wants a fixed interest rate loan and so swaps a variable rate loan with another party, B, thereby swapping payments, this will synthetically create a fixed rate for A. However, if B goes insolvent, A will lose its fixed rate and will be paying a variable rate again. If interest rates have gone up a lot, it is possible that A will struggle to repay.

The swap market has grown substantially in recent years, with a large number of banks and investment banking firms acting both as principals and as agents utilising standardised swap documentation to cover swaps trading over a broad range of underlying assets. As a result, the swap market for certain underlying assets has become more liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap.

7. COMBINED INSTRUMENTS / BASKETS (PACKAGED TRANSACTIONS)

Any combined instruments, such as a bond with a warrant attached, is exposed to the risk of both those products and so combined products may contain a risk which is greater than those of its components individually, although certain combined instruments may contain risk mitigation features, such as principal protected instruments.

The value of a basket of products (such as shares, indices etc.) may be affected by the number and quality of reference assets included in such basket. Generally, the value of a basket that includes reference assets from a number of reference asset issuers or indices will be less affected by changes in the value of any particular reference asset included therein than a basket that includes fewer reference assets, or that gives greater weight to some reference assets included therein. In addition, if the reference assets included in basket are concentrated in a particular industry, the value of such a basket will be more affected by the economic, financial and other factors affecting that industry than if the reference assets included in the basket are in various industries that are affected by different economic, financial or other factors or are affected by such factors in different ways.

8. EMISSIONS ALLOWANCE TRADING

Greenhouse gas emission allowances are traded in a marketplace of which the EU Emissions Trading System (“EU ETS”) forms part. The EU ETS is an EU wide cap and trade system whereby an annual limit is set at a national level by legislation on the total emissions allowed for each installation covered by the EU ETS. Allowances are then allocated or purchased by the covered installations. Emissions are monitored and reported by the covered installations and allowances are surrendered to meet their annual compliance target. As part of this system, allowances are traded by participants in the market, including third parties not obligated under the EU ETS as an installation.

As with all commodities, emissions allowance prices may be volatile and will be affected by a variety of factors that are unpredictable including changes in demand/availability, legal and regulatory changes, and other national and international political events. Furthermore, emission reduction targets, allowance allocation and other mechanisms created within the EU ETS artificially drive demand and supply of allowances. EU allowance markets are also subject to temporary distortions or other disruptions due to various factors including failure of the infrastructure supporting the transfer, allocation or holding of allowances and/or the early or inaccurate release of compliance data.

The availability of emissions allowances for trading may be affected by political factors. As this is a relatively new market and heavily dependent on targets and corresponding regulatory obligations set on certain participants, changes in policy and regulations may affect prices significantly. These factors may also affect the availability of counterparties to the trades. Trades may be undertaken by means of spot trades, forwards and futures contracts.

The relevant risks attached to each of these instruments are set out above and will apply where relevant. As the instruments may be short term contracts, you may not be able to unwind or terminate the contracts at the time or price you desire. You are exposed to the default risk of the counterparty who may fail to deliver or perform the relevant contracts and as a result you may suffer significant loss.

PART C – TRANSACTION AND SERVICE RISK

1. CONTINGENT LIABILITY INVESTMENT TRANSACTIONS

Contingent liability investment transactions, which are margined, require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately. If you trade in futures, contracts for differences or sell options, you may sustain a total loss of the margin you deposit with ABN AMRO Clearing 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 must 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.

2. COLLATERAL

If you deposit collateral as security with ABN AMRO Clearing, the way in which it will be treated will vary according to the type of transaction and where it is traded and the terms of any product document. There could be significant differences in the treatment of your collateral, depending on whether or not you are trading on a trading venue operated by an authorised person (see no. 4 below), with the rules of that venue (and the associated clearing house). Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets which you deposited, and may have to accept payment in cash. You should ascertain from ABN AMRO Clearing how your collateral will be dealt with.

3. SHORT SALES

Selling “short” means to sell financial instruments that you do not own at the time of the sale. The seller has an obligation to deliver the product sold at the settlement date which will generally be a few days later than the trade date, so he will either go into the market to buy the relevant financial instruments for delivery or he will “borrow” the relevant financial instruments under a stock lending arrangement (for further detail on this see no. 11 below). Short selling is a technique used by investors who want to try to profit from the falling price of a financial instrument. If the price of the financial instrument drops after the investor has sold short (in other words at the time when he is buying or borrowing the relevant financial instruments for delivery), the investor will make a profit. If however the price of the financial instrument rises after the investor has sold short, the investor will have automatically made a loss, and the loss has the potential to get bigger and bigger if the price of the financial instrument continues to rise before the investor has gone into the market to buy or borrow the financial instrument to settle the short sale.

4. OFF-EXCHANGE TRANSACTIONS

ESMA keeps a register of recognised or designated investment exchanges. A list of these exchanges can be found on the ESMA website. Transactions which are traded elsewhere may be exposed to substantially greater risks.

5. GUARANTEED OR LIMITED LIABILITY TRANSACTIONS

Where a product is guaranteed, your protection may be subject to the continuing solvency and ability to pay of the entity providing a guarantee. You should obtain sufficient information about the guarantor and the guarantee to be able to make an assessment of the value of the guarantee. Before entering into a limited liability transaction, you should obtain from the firm a formal written statement confirming that the extent of your loss liability on each transaction will be limited to an amount agreed by you before you enter into the transaction.

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

6. COMMISSIONS/TRANSACTION COSTS

You should carefully consider the costs disclosures that you will be provided with from time to time as well as the disclosures available on our website at https://www.abnamro.com/clearing/en/product/mifidii. Before you begin to trade, you should obtain details of all commissions and other charges for which you must be liable.

When products are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the products. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional domestic or foreign parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, you must take into account that you may

also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).
In addition to such costs directly related to the purchase of products (direct costs), you must also take into account any follow-up costs (such as custody fees). You should inform yourself about any additional costs incurred in connection with the purchase, custody or sale of an investment before investing. The effect of transaction costs (for example on a new issue of securities) may result in the issue price of such securities falling below the market value when trading starts.

7. SUSPENSIONS OF TRADING AND GREY MARKET INVESTMENTS

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

Transactions may not be entered into in:

(a) A security whose listing on an exchange is suspended possibly due to sanctions being imposed, or the listing of or dealings in which have been discontinued, or which is subject to an exchange announcement suspending or prohibiting dealings; or

(b) A grey market security, which is a security for which application has been made for listing or admission to dealings on an exchange where the security's listing or admission has not yet taken place (otherwise than because the application has been rejected) and the security is not already listed or admitted to dealings on another exchange.
There may be insufficient published information on which to base a decision to buy or sell such securities.

8. CASH AND PROPERTY

You should familiarise yourself with the protections accorded to you in respect of money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy.
Where ABN AMRO Clearing provides safe custody services for you, your securities may be held by a third party on its behalf, including banks, OTC counterparties, settlement agents, intermediate brokers, exchanges, clearing systems, sub-custodians, central securities depositories, depositories, agents and nominees (each a “Third Party”). Except as specifically provided in relevant product documentation, ABN AMRO Clearing will not be liable for any acts or omissions of any Third Party.

Where your property is held overseas, there may be different legal and regulatory requirements from those applying in the Netherlands and your rights to the property may differ from those you would have in the Netherlands.

In the event of insolvency or default of a Third Party, you may not recover all of your property or money. In some jurisdictions compensation schemes may offer protections in connection with investments to certain types of claimants in the event that they suffer a financial loss as a consequence of a person being unable to meet its liabilities. The protections available may be different from the protections afforded to clients under the Netherlands' Investor Compensation Scheme and the compensation schemes may also have different rules governing qualification for compensation, limits to the level of protection provided and procedures and time limits for making claims for compensation. In some cases overseas compensation schemes may prioritise local investors over non-local investors.

ABN AMRO Clearing will, where possible, direct that your property that is deposited with a Third Party is identifiable separately from its property and from those belonging to that Third Party (for instance, by differently titled accounts or other equivalent measures that achieve the same level of protection). However, in some jurisdictions it may not be possible under national law for your property to be separately identifiable from the assets of ABN AMRO Clearing or those of the Third Party. In these circumstances, there is a risk that your property could be withdrawn or used to meet the obligations of the Third Party or lost altogether if the Third Party fails. On ABN AMRO Clearing's failure (i.e. the appointment of a liquidator, receiver or administrator, or trustee in bankruptcy, or any equivalent procedure in any relevant jurisdiction), your property may not be protected from claims made on behalf of our general creditors, the Third Party may challenge your rights to any property and you may need to share in a shortfall.

Although property will ordinarily be registered in the name of a nominee, ABN AMRO Clearing may from time to time (if the property is subject to the law or market practice of a jurisdiction outside the Netherlands and it is in your best interests to register in that way or it is not feasible to do otherwise because of the nature of the applicable law or market practice) register or record securities in the name of a Third Party or in the name of ABN AMRO Clearing. If property is registered in the name of ABN AMRO Clearing, the property in question may not be segregated from its property and in the event of its failure (i.e. the appointment of a liquidator, receiver or administrator or trustee in bankruptcy, or any equivalent procedure in any relevant jurisdiction), your property may not be protected from claims made on behalf of the general creditors of ABN AMRO Clearing.

Your property may be held in an omnibus account by a Third Party. Property that is held in an omnibus account may be pooled or comingled with property belonging to our other clients or clients of the Third Party. There is a risk that the property could be withdrawn to meet the obligations of other clients, or that the balance of property does not reconcile with the quantity that ABN AMRO Clearing or the Third Party is required to hold. Due to the nature of omnibus client custody accounts, events such as settlement delays and timing differences may on occasion result in the omnibus accounts experiencing a shortfall in number of assets held (a "shortfall"). In the event of a shortfall, you may share in that shortfall and as a result may not receive your full entitlement of property.
Cash received from you, or held on your behalf, by ABN AMRO Clearing and deposited in a cash account at ABN AMRO Clearing will be held by ABN AMRO Clearing. Such cash will not be segregated from ABN AMRO Clearing's own cash and may be used by ABN AMRO Clearing in the course of ABN AMRO Clearing's business. In the event of ABN AMRO Clearing's failure, you will rank as a general creditor of ABN AMRO Clearing and the applicable Netherlands' Deposit Guarantee Scheme may not provide you with any protection.

9. STABILISATION

Transactions may be carried out in securities where the price 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. Regulations allow stabilisation in order to help counter the fact that, when a new issue comes on to the market for the first time, the price can sometimes drop for a time before buyers are found. Stabilisation is carried out by a 'stabilisation manager' (normally the firm chiefly responsible for bringing a new issue to market). As long as the stabilising manager follows a strict set of rules, he is entitled to buy back securities that were previously sold to investors or allotted to institutions which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation. The 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.

10. STOCK LENDING/REPOS

The effect of lending (or ‘repo’ing) securities to a third party is to transfer title to them to the borrower (or repo purchaser) for the period that they are lent (or ‘repo’ed). At the end of the period, subject to default of the borrower (or ‘repo’ purchaser), the lender (or ‘repo’ seller) receives back securities of the same issuer and type. The borrower’s (or ‘repo’ purchaser’s) obligation to transfer equivalent securities is secured against collateral (which is usually transferred by a title transfer mechanism pursuant to market standard agreements). There is, accordingly, credit risk. Lending (or ‘repo’ing) securities may affect your tax position.