

June 2015

## **Terms of Business for Professional Clients**

## 1. Capacity

Canaccord Genuity Limited is authorised and regulated by the Financial Conduct Authority ("**FCA**"), which has its principal place of business at 25, The North Colonnade, London, E14 5HS. Our registered office is: 88 Wood Street, London EC2V 7QR and our FCA registration number is 182011.

These terms of business, the cover letter and the Order Execution Policy (as amended from time to time) set out the Agreement between Canaccord Genuity Limited (referred to here as "we", "us", "our" "CGL" or "the firm") and you for our services (the "**Agreement**"). It replaces any other similar agreement that may exist between us. You understand that by entering into transactions with us, you are agreeing to the terms set out in this Agreement.

As per the letter or email sent to you with this Agreement, for the purposes of the FCA Rules we have categorised you as a Professional Client. You have the right to request a different client categorisation benefiting from a higher degree of regulatory protection. However, we are not obliged to accept any such request.

You agree that you are responsible for keeping us informed about any change that could affect your categorisation as a Professional Client.

**This Agreement contains legally binding terms of business and so it is important that you read it carefully. If there is anything in this Agreement that you do not understand please contact us as soon as possible.**

**PLEASE NOTE THAT IF YOU PLACE ANY ORDERS WITH US, OR OTHERWISE ENGAGE OUR SERVICES, YOU WILL BE DEEMED TO HAVE ACCEPTED OUR TERMS**

Capitalised terms used in this Agreement are defined at clause 38.

You represent, warrant and undertake on a continuing basis that:

- 1.1. You have and will have all necessary consents, authorisations, approvals and authorities to enable you to enter into this Agreement and effect any transaction entered into pursuant to this Agreement;
- 1.2. In respect of any transaction, notification, instruction or course of action taken by you pursuant to this Agreement you have and will comply with all Applicable Law;
- 1.3. You shall promptly provide us with such information, as we require in relation to this Agreement, including all information required to comply with all FCA Rules and all applicable anti-money laundering rules and regulations. You warrant that any information provided to us by you is complete, accurate and not misleading in any material respect and you agree to notify us should such information change in any material respect; and
- 1.4. Any money and other assets placed or traded with us are free of mortgage, charge, pledge, lien, right of set off and any security and do not constitute the proceeds of any activity which is illegal or unlawful under the laws of the United Kingdom or of any applicable jurisdiction or which would be illegal or unlawful were such an activity carried out in the United Kingdom or such other jurisdiction.

## 2. Services

- 2.1. We may provide you with dealing, execution only or advisory dealing services, or a combination thereof.

### Dealing

- 2.2. When we provide you with dealing services, we will act in accordance with our Order Execution Policy unless we act on your specific instructions. Our Order Execution Policy (and any amendments thereto) will be displayed at <http://www.canaccordgenuity.com/en/cm/SiteInformation/Disclaimer/UK-Disclosures/>. We will consider the continued placement of orders by you to constitute your continued consent to our Order Execution Policy as in effect from time to time.

- 2.3. We will enter into transactions as either principal or agent. All transactions we enter into, for or with you, will be subject to the rules and customs of the exchange or market on or through whose facilities the transaction is executed.
- 2.4. Where you place a Limit Order with us that is not immediately executed, you agree that we will not publish your unexecuted order during the period that it remains unexecuted unless we believe that it would be in your best interest to do so, or you expressly request otherwise.
- 2.5. You agree that we may execute an order on your behalf outside a Regulated Market or Multi-Lateral Trading Facility.
- 2.6. On your instructions or where it is market practice to do so we may arrange for any transaction to be effected with or through the agency of an intermediate broker or settlement agent, who may be an associate of ours, and may not be in the United Kingdom. Neither we nor our officers shall be liable for any loss arising from any act or omission of any agent or third party who performs the services pursuant to this Agreement except to the extent that such loss is caused by wilful default, fraud or negligence in the selection of such agents or third parties on the part of us or our officers.
- 2.7. Any investment involves a degree of risk and some investments are more risky than others. Before making any investment decision you must ensure that you understand the risks of making such an investment. Please see Exhibit A attached to this Agreement for a non-exhaustive summary of the risks inherent in investing in certain financial instruments and in certain markets.
- 2.8. If you are an Australian resident you are hereby informed that CGL does not hold an Australian financial services license and instead relies on the exemption contained in ASIC Class Order (03/824). CGL is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom which differ from Australian laws. CGL services are provided to you on the basis that you are a “wholesale client” within the meaning of section 761G of the Corporations Act 2001 (Cth) and by accepting those services from us you warrant that you are a “wholesale client” as defined.

#### **Execution only**

- 2.9. Where we deal on an execution only basis you will not benefit from the protection of the FCA Rules on assessing appropriateness or suitability. Therefore, we will not assess whether:
  - a) the requested product or service meets your investment objectives;
  - b) you will be able to financially bear the risk of any loss that the product or service may cause; or
  - c) you have the necessary knowledge and experience to understand the risks involved.

#### **Advice**

- 2.10. Where we are providing an advisory service:
  - a) we are obliged under the FCA Rules to obtain information about your investment objectives so that we can make a recommendation which is suitable for you. We shall assume that information about your investment objectives provided to us is accurate and we will have no responsibility to you if such information changes or becomes inaccurate unless you have informed us of such changes.
  - b) we shall not be under any obligation to provide on-going advice in relation to the management of your investments.
  - c) unless we specifically agree otherwise in writing with you, you hereby acknowledge:
    - i. that the provision of advice is incidental to your dealing relationship with us and provided solely to assist you in conducting your own risk assessment of a particular transaction in order to decide whether you are willing and financially able to bear the risk of loss associated with the investment;
    - ii. that the information provided to other customers may be different from advice given to you due to individual analysis of fundamental and technical factors by different personnel; and
    - iii. that such information may not be consistent with our proprietary investments, or those of our associates, directors, employees or agents.
  - d) We will not advise you about the merits of a particular transaction if we reasonably believe that, at the time of your order, you are not expecting such advice and are dealing on an execution only basis.

If we advise you that your proposed course of action is not suitable for you but you nevertheless wish to proceed with the transaction, we will only accept your order on an execution only basis.

#### 2.11. Research

(a) We may from time to time send research reports and recommendations, advertisements and other publications to you. Where we do provide research, trading recommendations, market commentary or other information:

- i. unless we specifically agree otherwise in writing with you, this is incidental to your dealing relationship with us and is provided solely for information purposes;
- ii. where such information contains a restriction on the person or category of persons for whom that document is intended or to whom it is distributed, you agree that you will not pass it on to any such person or category of persons;
- iii. we make no representations as to the time of receipt by you of research reports or recommendations and cannot guarantee that you will receive such research reports or recommendations at the same time as other customers; and
- iv. we are under no obligation to disclose or take account of such research reports or recommendations when advising or dealing with you.

### **3. Instructions**

- 3.1. We will only accept orders given electronically (for example, by email, Bloomberg, FIX and through our RSP service), by telephone or, if prior arrangements have been made, by fax.
- 3.2. We shall be entitled to act for you upon instructions given or purporting to be given by you or any person authorised on your behalf without further enquiry as to the genuineness, authority or identity of the person giving or purporting to give such instructions.
- 3.3. Once an order has been received for immediate execution by us it may only be amended or withdrawn with our agreement. All transactions will be on a Delivery Versus Payment basis, as set out in clause 13.1 below. You will promptly deliver any instructions, money, documents or property due from you under a transaction for the purpose of enabling us to perform our obligations.
- 3.4. We may (in our absolute discretion) decline to accept any order or instruction you may give, or having accepted it, refuse to act on it, if we believe that the order or instruction concerned (or the consequences of it) would be improper, unlawful or would (if executed) expose us to financial or other risk, or if there are insufficient funds in any relevant account. In such cases, we will promptly inform you of the basis for our non-acceptance or refusal.
- 3.5. You must ensure that any instructions given to us are clear and intelligible. If you do not provide such instructions promptly, clearly and in an intelligible form, we will not act for you until we receive clear instructions. We shall not be responsible for any lost opportunity due to market movements while we await clear instructions.

### **4. Aggregation of orders**

- 4.1. We may aggregate your order with our own orders, orders of persons connected with us and orders of other clients. We will only aggregate your order with our own orders and those of persons connected with us where you will receive a more favourable price. We will only aggregate your orders with those of other clients (not connected with us) if it is likely that overall it will work to the advantage of the clients concerned. However, for some, it may work to their disadvantage.

## **5. Confirmation of transactions**

- 5.1. Whenever we enter into a transaction with or for you, where required, we will promptly dispatch a contract note or other confirmation, such as an ETC. Each such contract note or confirmation will record the essential details of the transaction and comply with the FCA Rules.
- 5.2. Contract notes and confirmations, in the absence of manifest error, shall be conclusive and deemed acknowledged by you as correct unless written notice to the contrary is received by us within three Business Days of your receipt, or we notify you of an error.

## **6. Trade & transaction reporting**

- 6.1. We may be obliged to make information about certain transactions public. You agree and acknowledge that any and all proprietary rights in such transaction information are owned by us and you waive any duty of confidentiality attaching to the information which we reasonably disclose.
- 6.2. We will, on your behalf, perform all trade and transaction reporting obligations you owe to relevant regulators and execution venues.

## **7. Settlement**

- 7.1. In the course of settling transactions with or for you we may, in certain circumstances, receive or hold money or assets belonging to you. We will normally settle transactions on a Delivery Versus Payment basis and in entering into this Agreement, you agree that we may at our discretion use the Delivery Versus Payment exemption as permitted by the FCA CASS Rules.
- 7.2. The contract note or confirmation issued to you in accordance with clause 5 ('Confirmation of Transactions') will specify the settlement date, which will generally be a fixed number of Business Days from the date of the transaction.
- 7.3. You are obliged to make available cleared funds to settle purchases or if you are selling investments, to deliver to us the investments being sold (electronically if held in dematerialised form or the relevant certificates or other documents of title and signed transfer forms) on or before the settlement date. We reserve the right not to settle transactions or accounts with you unless and until we have received all necessary documents or money.
- 7.4. Please note that should you fail to comply with your settlement obligations we may exercise all or any of the rights we reserve in clause 20 ('Default') of this Agreement.

## **8. Our charges**

- 8.1. We will charge commission at a rate to be agreed orally or by email between you and the relevant CGL salesperson prior to dealing. The commission charges will be confirmed on the contract note issued in accordance with clause 5 ('Confirmation of transactions').
- 8.2. In addition to our charges you will be responsible for payment of:
  - (a) any stamp and other duties, taxes of whatsoever nature, impositions and fiscal charges (in each case wherever in the world imposed), brokerage, clearing and settlement of fees, transfer fees, registration fees and all other liabilities, charges, costs and expenses payable or incurred by us on your behalf; and
  - (b) any applicable value added tax or similar charge.
- 8.3. If you fail to pay us any amount when it is due, we reserve the right to charge you interest (which will accrue on a daily basis and will be due and payable by you as a separate debt) on any such unpaid amount at the following rate:
  - (a) in the context of UK domestic securities, the current market lending rate prevailing at any time from the date payment is due to the date payment is made, plus 1 per cent.; or

(b) in the context of international securities, at the bank overdraft rate of the relevant country, as charged to us, for the period of your indebtedness.

8.4. You authorise us to debit any of your accounts, whether held by us or a third party, to pay any amounts due to us pursuant to this Agreement or any transaction effected hereunder, including any charges and interest owing to us.

## **9. Margin**

9.1. You agree to pay us on demand such sums by way of margin as are required from time to time under the rules of any relevant market or clearing house or as we may in our discretion reasonably require for the purpose of protecting ourselves against loss or risk of loss on present, future or contemplated transactions under this Agreement.

9.2. Margin shall be provided by or on your behalf in cash or collateral acceptable to us as determined by us at our absolute discretion.

## **10. Payments**

10.1. You will pay any amount owed to us upon demand in freely transferable, cleared and available same day funds, in the currency and to the accounts which we specify, and without making any set-off, counterclaim, deduction or withholding for any tax.

10.2. It is generally not our policy to receive third party payments and we reserve the right to refuse to accept any payments from any unconnected or apparently unrelated parties.

## **11. Shared commission**

11.1. We may on occasion share our fees and commissions with our agents, Affiliates or third parties. Details of any shared fees or commissions may be disclosed in our contract note or other confirmation of any transaction executed with, or for, you or are otherwise available on request.

## **12. Tax**

12.1. We will not provide any tax advice and we shall not, at any time, be deemed to be under any duty to provide tax advice. You accept that we will not have any responsibility for the tax consequences of your entering into any transaction. In entering into this Agreement you agree that, where appropriate, you will obtain independent tax advice and correctly discharge your tax liabilities, whenever falling due.

12.2. International taxation arrangements

We may be required to pass information about you to tax authorities, or deduct withholding taxes from any interest or income we pay or pass on to you.

If you (or a person with whom you hold a joint account or asset) are subject to tax or reporting in another country or jurisdiction (or we have reason to believe or are required to presume that this may be the case), CGL and our of its Affiliates may be required by legislation, regulation, order or by agreement with tax authorities of that country or jurisdiction to report on an ongoing basis certain information about you and your accounts and assets and other products you hold with us on an individual or aggregated basis:

- (a) to a relevant tax authority which may then pass that information to the tax authorities where you are subject to tax; or
- (b) directly to the tax authorities in that country.

If you are not an individual, we may also have to report information about your direct and indirect shareholders or other owners or interest holders and, if you are a trust, your beneficiaries, settlors or trustees.

You confirm that you have been and are compliant with all Tax Obligations. You will inform us of any change in your circumstances that are relevant to the Tax Obligations, including any change in your address or nationality.

If we are required to report information about you, this would include (but is not limited to) information about you, your accounts and assets, for example your account number(s), the amounts of payments including interest paid or credited to the account(s), the account balance(s) or asset value(s), your name, address and country of residence and your social security number/taxpayer identification number or similar (if applicable). You may need to provide us with further information, if we ask for it, about your identity and status.

If a withholding tax under the European Savings Directive or any similar or equivalent measures applies, we will withhold tax at the applicable rate.

To the greatest extent permitted by applicable law, We will not be liable to you for any losses you may suffer as a result of our complying with legislation, regulations, orders or agreements with tax authorities in accordance with this condition, or if we make an incorrect determination as to whether or not you should be treated as being subject to tax or tax reporting obligations where the incorrect determination results from our reliance on incorrect information provided to us by you or any third party, unless that loss is caused by our gross negligence, wilful default of this clause or fraud.

If you ask us to make a payment to an account based at a financial institution which does not participate or comply with relevant tax legislation, regulations, orders or agreements with tax authorities we may be required, and you authorise us, to withhold certain amounts from the payment (but we will tell you if this is the case).

### **13. Client money**

- 13.1. We will normally settle transactions on a Delivery Versus Payment basis and when we do this any money received by us will not usually be eligible to be treated as client money under the FCA CASS Rules and will therefore not usually be eligible to be segregated from our own accounts.
- 13.2. Where we have agreed to hold your money, we shall do so in compliance with the FCA CASS Rules, and will promptly place any client money received into a segregated account or segregated accounts (including a designated client fund account) held separately from our own funds, which may be with a third party.
- 13.3. We will ensure that any third party who we arrange to hold your money or assets is selected and appointed by us specifically for this purpose and we will exercise all due skill, care and diligence in the selection and monitoring of such third parties.
- 13.4. Your money will be held by any third party in omnibus accounts alongside the client money of our other clients. In the event that the third party fails, any shortfall in client money will be borne by all clients rateably in accordance with their entitlements in respect of the client money held and you may not receive an amount equal to the individual sum owing to you. We will not be responsible for any shortfall in this scenario.
- 13.5. Insofar as we hold your client money with a third party that is located overseas in any non-EEA jurisdiction, please note that there may be different settlement, legal and regulatory requirements in such non-EEA jurisdiction from those applying in the United Kingdom or other EEA jurisdictions, and there may be different practices for the separate identification of money. In the event of failure of such third party, this money may be less secure and treated in a different manner to that which would apply if the money was held in an account in, or by a third party in, the United Kingdom or any equivalent EEA jurisdiction, and in the event of failure of such person(s), your money may be treated in a different manner from that which would apply if the money was held by such person(s) in the United Kingdom, or any equivalent EEA jurisdiction.
- 13.6. Unless otherwise agreed in writing, we will not pay any interest on money which we hold for you.
- 13.7. Any money held by us shall be subject to a right of set-off as set out in clause 8.3 (Our charges).

- 13.8. You consent to us releasing any money balances for or on behalf of you from client bank accounts and to us ceasing to treat as client money any unclaimed client money balance and donating that balance to a registered charity of our choice, where:
- (a) we have determined that there has been no movement on your balance for a period of at least six years (notwithstanding any payments or receipts of charges, interest or similar items);
  - (b) we have taken reasonable steps to trace you and return the balance as required by the FCA CASS Rules; and
  - (c) provided that we undertake to make good any valid claims against any released balances.

However, you agree that where we pay away balances of less than £100, we will not be required to make good any claims.

## 14. Custody

**This section is only applicable where you have informed us that you wish to use us as custodian**

- 14.1. We will normally settle transactions on a Delivery Versus Payment basis and when we do this any investments received by us will not usually be eligible to be treated as client assets under the FCA CASS Rules and will therefore not usually be eligible to be segregated from our own accounts.
- 14.2. Acceptance of these terms provides authority for us to hold your investments in safe custody, to transfer securities from your account to meet sales effected for your account, to accept offers, or undertake other matters covered by this Agreement. We will not be responsible for the negligence or default of any custodian or nominee holding your investments unless they are an Affiliate of ours.

### Instructions

- 14.3. All instructions regarding the administration of investments in your portfolio held by us on your behalf should be made in writing, to us. We do not accept from, or send instructions to third parties, unless a valid power of attorney has been established for this purpose.

### Corporate actions

- 14.4. Where we provide custody services, the following apply unless otherwise agreed in writing:
- (a) we will be responsible for claiming and receiving dividends, interest payments and other entitlements accruing, exercising conversion and subscription rights, dealing with takeovers or other offers or capital reorganisations and exercising voting rights;
  - (b) we shall endeavour to advise you of the occurrence of any rights, offer or capital reorganisations upon becoming aware of the same but shall have no liability to you for failing to advise you and if we are unable to obtain your instructions we may, without incurring any liability, use our judgement and act as we think fit in your best interests; and
  - (c) we will not be responsible for delivery to you of any notices received in respect of the investments.

### Registration

- 14.5. Your investments may be registered in the name of an eligible nominee or eligible custodian (which may include an Affiliate of ours) as permitted by the FCA CASS Rules. UK registered securities which we are holding for you will be held in either their physical form, or in uncertificated form in CREST and if so, will be registered in the name of a client nominee company nominated by us or an Affiliate of ours, with you as beneficial owner in accordance with the FCA CASS Rules.
- 14.6. It may be necessary for us to act through, and hold your investments with, a Sub-Custodian, and you hereby authorise us to appoint any such Sub-Custodian(s) from time to time in connection with the performance of our duties under this Agreement. We will exercise due skill, care and diligence in the selection, appointment and periodic review of any Sub-Custodian as required under the FCA CASS Rules. We shall not be responsible for any acts, omissions or default of any Sub-Custodian unless and only to the

extent they result directly from our own negligence, fraud or wilful default in their selection, appointment and periodic review.

- 14.7. Investments registered or recorded in the name of a nominee company or Sub-Custodian will be pooled with those of one or more of our other clients. Accordingly, your individual entitlements may not be identifiable by separate certificates, physical documents or equivalent electronic entries on the register. In the event of an irreconcilable shortfall following any default of the custodian responsible for pooled investments, you may not receive your full entitlement and may share in that shortfall pro-rata.
- 14.8. A further effect of pooling is that following an allocation or share issue that favours the small investor, your allocation may be less than it otherwise would have been, had your investments been registered in your own name, and additional amounts may arise that would not otherwise have occurred had the investments been registered in your own name (for example, following certain corporate actions). You are not entitled to such amounts and we allocate any such shares to an account which we administer and may use them to offset against any debits arising on dividends or other corporate events. Further, some companies provide benefits to shareholders relating to the nature of their business. These benefits will not necessarily be available to you automatically and should you wish to receive these additional benefits, you should make the necessary arrangements with your broker.
- 14.9. Where we arrange for someone to hold your safe custody investments or other assets overseas in non-EEA jurisdictions, there may be different settlement, legal and regulatory requirements from those applying in the United Kingdom or other EEA jurisdictions, and there may be different practices for the separate identification of safe custody investments. Where we do this we will endeavour to ensure that such investments will not be held with any third party in another country which does not regulate the safekeeping of financial instruments unless the nature of the financial instrument requires it. You hereby consent to overseas investments being registered or recorded in the name of a Sub-Custodian or in our name in jurisdictions outside of the UK, where, due to legal requirements or the nature of market practice in the jurisdictions concerned, it is in your best interests, or it is not feasible to do otherwise. As a consequence of this, your investments may not be segregated from investments belonging to us and therefore, your protection may be less should a default occur on the part of the person in whose name the investments belonging to you are so recorded.
- 14.10. Sub-Custodians and other third parties (such as central counterparties, settlement agents and securities depositories) may take a lien over investments held by them and/or they may be entitled to other security rights over investments or money, including rights of set-off, retention or sale. This will be determined by requirements of local law, regulation and market practice in the relevant jurisdiction.
- 14.11. Should you instruct us in writing that investments purchased through us be registered in the name of some other person (which must not be an Affiliate of ours) whom you specify, the consequences of registration carried out in accordance with your instructions, are entirely at your own risk. The legitimacy of such registrations also remains your responsibility.

#### **Fees and charges**

- 14.12. Any fees or costs payable by you in relation to the safe custody service will be notified to you.

#### **Unclaimed assets**

- 14.13. If we have received no instructions in respect of your investments which we hold in safe custody for a period of at least twelve years (notwithstanding any receipts of dividends or similar items), and we have been unable to contact you having taken reasonable steps in accordance with the FCA CASS Rules to trace you and return such investments we may decide to (i) liquidate any such investments at market value and pay away the proceeds or (ii) pay away any such investments, in either case to a registered charity of our choice.
- 14.14. We will unconditionally undertake to pay you a sum equal to the value of the relevant custody assets at the time they were liquidated or paid away in the event you seek to claim the custody assets.

#### **Use of third party custodian**

- 14.15. If we do not provide a safe custody service in relation to your investments which are the subject of our dealing services, you shall comply with the following provisions, or notify your Outside Custodian that we execute deals in investments for you and procure that they comply with the following provisions:
- (a) complies with any instructions which we give in accordance with these terms of business;
  - (b) will, either itself and or by any person delegated by it, be responsible for settlement of all transactions undertaken by us and for resolving any queries regarding settlement, subject to it holding or receiving all necessary documents or funds or, alternatively and if we agree, will liaise with us regarding settlement if we are to settle transactions as explained in clause 7 above;
  - (c) if so requested, promptly arrange for the execution or production of any documents necessary to carry out any transactions effected in accordance with the terms of business.

## **15. Statements**

We will provide you with a statement detailing all investments in your portfolio held on your behalf in safekeeping every twelve months. This statement will also provide details of any cash balance held for you as client money by us. The value of any stock held as collateral, as identified on the annual statement, is calculated using the mid-market closing price at the close of business on the date of the valuation. Holdings are reported on a trade date basis.

## **16. Inactive or dormant accounts**

- 16.1. Without prior notification, we reserve the right to close or archive any account which has remained inactive or dormant for a period of more than 12 months. Such closed accounts can be reactivated in accordance with our normal account opening procedures.

## **17. Acting as agent**

- 17.1. Where you are acting as agent on behalf of a counterparty you represent, warrant and undertake that you are either a 'firm' or an 'overseas financial services institution' (as defined in the FCA Rules) and that we shall therefore be entitled to treat you alone as our client in accordance with the FCA Rules. No counterparty that you are acting as agent for shall be treated as our client or indirect client.
- 17.2. You undertake that you have express authority from the counterparty to deal with us on the terms of this Agreement and have full power and capacity to perform all transactions entered into under this Agreement, including confirmation that you:
- (a) have verified the identity of each counterparty and maintain and will continue to maintain all necessary records in relation to verification of identity and confirm that you will continue to comply with all applicable regulations including money laundering and terrorist financing laws and regulations and that you will provide such records to us upon request;
  - (b) will notify us immediately if any two or more counterparties accounts relate to the same counterparty.
- 17.3. Where you are acting as agent or trustee you acknowledge that:
- (a) you must inform us of the capacity in which you are dealing at the time of giving the instruction to us and of the identity of the counterparty;
  - (b) if you fail to inform us of the identity of the counterparty, you will be fully liable as principal in respect of any failure by the counterparty to fulfil any obligation related to a transaction; and
  - (c) you retain full responsibility for making all investment decisions with respect to the counterparty and that we shall not be responsible for judging the merits or suitability of any transaction on a counterparty's behalf.

- 17.4. You undertake to provide us with all assistance and cooperation necessary in order to enable us to take any action(s) and/or exercise any rights or remedies we may have against a counterparty (including recovery of sums that may be due and owing to us).
- 17.5. Where we exercise any right of set-off against an individual underlying counterparty of yours we will only do so in respect of liabilities due to us by that underlying counterparty.
- 17.6. Where you are acting as trustee of a trust, we agree that your liability under this Agreement will be limited to the value of the assets of the trust at the time of the matter giving rise to the claim.

## **18. Conflicts of interest**

- 18.1. In order to manage and prevent conflicts of interest, the Canaccord Genuity Group Inc. group including Canaccord Genuity Limited maintains effective organisational and administrative arrangements including a system of 'Chinese Walls' to ensure that such conflicts are properly managed.
- 18.2. Your attention is drawn to the fact that having taken reasonable steps and where we cannot prevent conflicts of interest, we may enter into transactions on your behalf that give rise to a conflict of interest – the general nature and sources of conflicts of interest are detailed below. We may, therefore, effect a transaction for you without making prior reference to the fact that such a conflict exists or may arise.
- 18.3. You accept that we may have interests which would conflict with duties which would otherwise be owed to you and you consent to our acting in any manner which we consider appropriate in such cases. Further, we reserve the right to decline to act for you where this would be, in our reasonable belief, the most appropriate way to manage the conflict.
- 18.4. The following are some non-exhaustive examples of the type of interest, relationship or arrangement that could arise within Canaccord Genuity Limited:
- (a) being the financial adviser or broker to the company whose securities you are buying or selling, or acting for that company in any takeover bid by or for it;
  - (b) sponsoring or underwriting a new issue or a rights issue or similar transaction involving the investment (or a related investment) that you are buying or selling;
  - (c) having a holding or a dealing position in the investment concerned;
  - (d) engaging in business and trading activities for the firm's own account and/or client accounts, whilst other clients are active in relevant markets or otherwise interested at the same time;
  - (e) acting as the manager, investment adviser or custodian of a collective investment scheme in whose units you are dealing;
  - (f) providing investment advice or discretionary portfolio management services to clients and recommending or selling products issued by the firm or its associates;
  - (g) providing investment research in relation to an entity or group to which we are also financial adviser or broker.

A summary of our 'Conflicts of Interest Policy' is available to all clients at:  
<http://www.canaccordgenuity.com/en/cm/SiteInformation/Disclaimer/UK-Disclosures/>

## **19. Termination**

- 19.1. Unless otherwise required by applicable regulations, either party may terminate this Agreement by giving written notice of termination to the other. Either party may also terminate this Agreement immediately on the occurrence of an Event of Default as set out in clause 20 (Default).
- 19.2. Upon terminating this Agreement, all amounts payable by you to us will become immediately due and payable.

- 19.3. Termination will be without prejudice to the completion of transactions already initiated. Except as specifically provided, transactions in progress will be settled in the normal way notwithstanding termination.
- 19.4. Termination of this Agreement does not affect any of your or our accrued rights and obligations at the date of termination. Your and our rights and obligations in the following clauses shall survive termination: clause 22 (Liability), clause 26 (Confidentiality and data protection), and clause 37 (Governing law), together with those clauses the survival of which is necessary for the interpretation or enforcement of this Agreement.

## 20. Default

- 20.1. The following events will result in the defaulting party being in breach of this Agreement ("**Event of Default**"):
- (a) the party fails to make any payment when due under this Agreement or to make or take delivery of any property when due under this Agreement, or to observe or perform any other provision of this Agreement and such failure continues for one Business Day after we give you notice of non-performance;
  - (b) the party enters into liquidation or a procedure is commenced against them proposing liquidation;
  - (c) the party becomes the subject of an administration order or has a receiver or similar appointed over all or any of their assets or becomes subject to any similar order or proceeding commenced in any jurisdiction outside the United Kingdom in consequence of debt; or
  - (d) any action is taken or event occurs which the other party considers might have a material adverse effect upon the party's ability to perform their obligations under this Agreement
- 20.2. On the occurrence of an Event of Default or at any time after we have determined that you have not performed (or may not be able or willing in the future to perform) any of your obligations to us, we shall be entitled to take any of the following action without prior notice and at our absolute discretion:
- (a) instead of returning to you investments equivalent to those credited to your account, to pay to you the fair market value of such investments at the time we exercise such right; and/or
  - (b) to sell your investments that are in our possession or in the possession of any nominee or third party appointed under or pursuant to this Agreement, without being responsible for any loss or diminution in price; and/or
  - (c) to take such action as we consider necessary to cover or reduce our potential loss or liability in respect of your transactions, contracts, positions or commitments; and/or
  - (d) to treat any transactions then outstanding as having been repudiated by you.
- 20.3. At any time following the occurrence of an Event of Default, we may, by notice to you, specify a day on which we will commence the termination and liquidation of transactions (the "**Liquidation Date**") in accordance with the provisions of clause 21 (Liquidation).
- 20.4. Unless we specify otherwise, the date of the commencement of any bankruptcy, insolvency, administration or equivalent proceeding shall automatically constitute a Liquidation Date, without the need for any notice by us and the provisions of clause 21 (Liquidation) shall then apply.
- 20.5. We may also exercise our rights under this clause 20 if any Event of Default applies in respect of a counterparty to which you are acting as agent of in accordance with clause 17 (Acting as Agent) of this Agreement.

## 21. Liquidation

- 21.1. Upon the occurrence of a Liquidation Date:
- (a) we shall determine and provide notice of, as soon as reasonably practicable, what money is either

due or owing to or from you in respect of transactions or obligations that have not been settled. We shall treat each cost or loss to us, as a positive amount and each gain by us, as a negative amount and aggregate all amounts to produce a single amount denominated in the base currency (the "**Liquidation Amount**");

- (b) neither of us shall be obliged to make any further payments or deliveries under any transactions which would have fallen due for performance on or after the Liquidation Date and such obligations shall be satisfied by settlement of the Liquidation Amount; and
- (c) the Liquidation Amount shall be paid by the close of business on the Business Day following the completion of the termination and liquidation.

## **22. Liability**

- 22.1. Neither we nor any third party who acts on our behalf in providing a service to you, whether an associate of ours or not, nor our or its directors, officers, servants, agents or representatives will be liable for any loss (including, for the avoidance of doubt, loss of profit), liability or cost suffered or incurred by you as a result of our providing services to you unless the loss, liability or cost is caused by our negligence, wilful default or fraud. In such cases, our liability shall be limited to the replacement of securities or money (including interest) lost or foregone as an immediate result of our action or failure to act.
- 22.2. Neither we nor any third party who acts on our behalf in providing a service to you, whether an associate of ours or not, nor our or its directors, officers, servants, agents or representatives will be liable to you for any consequential, indirect, special, incidental, punitive or exemplary loss, liability or cost which you may suffer or incur arising out of our or their acts or omissions, howsoever the loss, liability or cost is caused and regardless of whether it was foreseeable or not.
- 22.3. We will not be liable to you for our failure to perform any obligation or discharge any duty owed to you under this Agreement if the failure results from any cause beyond our reasonable control. This includes, but is not limited to, any breakdown or failure of transmission or communication of computer facilities, postal or other strikes or industrial action, or the failure of any relevant exchange, clearing house and/or broker for any reason to perform its obligations.
- 22.4. Nothing in this clause shall exclude or restrict any obligations we have to you under Applicable Law.

## **23. Compliance**

- 23.1. We are subject to all applicable rules and regulations of the FCA, the London Stock Exchange and the City Code on Take-overs and Mergers and all other relevant laws, rules, regulations, codes and practices from time to time applicable to our obligations and to which this Agreement and such other associated terms and conditions as we may enter into with you are subject. We shall not be in breach of any of the provisions of this Agreement or any obligation owed to you where we act in compliance with such laws, rules, regulations, codes and practices.

## **24. Information about investments, products and services we offer**

- 24.1. Unless you notify us to the contrary, we will assume that we can give you information about investments in which we think that you may have an interest and other products and services that we, or our associates offer. This may include our calling you to discuss our services, without having been expressly invited by you to make such a call.

## **25. Telephone recording**

- 25.1. In order to assist with our monitoring and compliance procedures, and to avoid misunderstandings, telephone calls will be recorded. You will not receive any notification that your call is being recorded. Such recordings will be our sole property and accepted by you as evidence of the orders or instructions given.

## 26. Confidentiality and data protection

- 26.1. We and you will at all times keep confidential and shall not disclose to a third party any information of a confidential nature acquired in connection with this Agreement, except for information which either of us is bound to disclose under compulsion of law or by request of regulatory agencies or to our respective professional advisers or, in our case, where disclosure to a third party such as an intermediary or clearing house is necessary in order to facilitate the proper performance of the services.
- 26.2. You hereby acknowledge at times "personal data" (as such terms are defined in the Data Protection Act 1998 (the "Act")) relating to you, and where applicable, your employees, officers, directors, associated parties and underlying clients may be processed by us for the purposes of the provision of the services under this Agreement. You acknowledge that we will act as a data controller, and in certain circumstances, data processor (as such terms are also defined within the Act) in respect of such personal data.
- 26.3. The personal data collected may be transferred to, and stored at, a destination outside the European Economic Area ("EEA"). It may also be processed by staff operating outside the EEA.
- 26.4. The information we hold about you is confidential and will only be disclosed outside CGL, to any of our associated companies or to any law enforcement entity, prudential supervisory body, regulatory agency, court or tribunal, in the following circumstances:
- (a) where the law or a regulatory rule permits, or it is in the public interest;
  - (b) to investigate or prevent fraud or other illegal activity;
  - (c) to your broker, their agents or our agents in connection with running accounts and services for you;  
or
  - (d) at your request or with your consent.
- 26.5. You consent to the processing of your personal data in accordance with this clause 26. You warrant that all other data subjects of personal data which have been provided to us by you have specifically consented to the processing set out under this clause 26 and have been provided with all necessary information in respect thereof.
- 26.6. In accordance with the Act, you are entitled, on payment of a fee, to a copy of the information we hold about you. In the first instance, you should direct any such request to us at: The Data Protection Officer, Canaccord Genuity Limited, 88 Wood Street, London EC2V 7QR. You should let us know if you think any information we hold about you is inaccurate, so that we may correct it.

## 27. Entire agreement

- 27.1. This Agreement (which includes such other associated terms and conditions as we may enter into with you) as amended and supplemented from time to time, forms the entire agreement between us. You acknowledge that you have not relied on any representation, warranty or other assurance (except as set out in this Agreement) whether oral, written, express or implied.

## 28. Complaints

- 28.1. We have internal procedures for handling complaints fairly and promptly. If you submit a complaint, we will send you a written acknowledgment of your complaint within five days of receipt enclosing details of our complaints procedure.
- 28.2. If you would like to make a complaint, you should contact us to raise your complaint. You may do this in a number of ways as detailed within the complaints policy, including by writing to us as follows:

**By post:**

For the attention of: The Compliance Officer Canaccord Genuity Limited, 88 Wood Street,  
London EC2V 7QR

**By email:**

London-UK-Compliance@canaccordgenuity.com

## **29. Compensation**

29.1. We are a member of the Financial Services Compensation Scheme (the "**Scheme**") in the United Kingdom. Compensation may be available under the Scheme if we cannot meet our obligations to you. This depends on whether you are an 'eligible claimant', the type of business and the circumstances of the claim. Most types of investment business are covered up to a limit of £50,000 per person per claim although, generally, Professional Clients and Eligible Counterparties are unlikely to be 'eligible claimants' for FSCS purposes. For more information about compensation arrangements, please visit [www.FSCS.org.uk](http://www.FSCS.org.uk), 020 7741 4100.

## **30. Amendments**

- 30.1. Any amendment to this Agreement will be notified to you by us posting a message on our website at <http://www.canaccordgenuity.com/en/cm/SiteInformation/Disclaimer/UK-Disclosures/> and we will also email you a copy of the amended Agreement or send a copy by post. Such changes will become effective on the date specified in the notice, which will not be less than ten working days after the notice is sent to you. If, as a result of changes we propose to make, you wish to terminate the Agreement, you may do so in accordance with paragraph 19.1 (Termination). We will not make a charge for transferring any investments or money we hold for you if you terminate under this paragraph.
- 30.2. If you wish to initiate any amendment to this Agreement then you must convey your request to us in writing. Your requested amendment will be conditional upon our agreement and will become effective only upon our written confirmation to you that we have accepted it. No amendment will affect any outstanding order or transaction or any legal rights or obligations which may have previously arisen.

## **31. Waiver**

31.1. No failure or delay by either of us in exercising any right, power or privilege in these terms shall operate as a waiver thereof nor shall any single or partial exercise by us of any right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege.

## **32. Communication and notices**

- 32.1. These terms are supplied to you in English, and we will continue to communicate with you, and you will continue to communicate with us, in English for the duration of the Agreement.
- 32.2. Any notice under or in connection with this Agreement shall be in writing and delivered personally or sent by first class post or by fax or by email to the party due to receive the notice, in our case to our normal business address, fax number or email address notified to you and in your case the last address, fax number, or email address you have notified to us.
- 32.3. Unless there is evidence that it was received earlier, notice is deemed given:
- (a) if delivered personally, when left at the relevant address;
  - (b) if sent by post, two Business Days after posting it;
  - (c) if sent by air mail, six Business Days after posting it;
  - (d) if sent by fax, when confirmation of its transmission has been recorded by the sender's fax machine;  
or
  - (e) if sent by email, the second Business Day after the day on which it was transmitted.

### 33. Assignment

- 33.1. You consent to our assigning, or transferring, responsibility for the performance of any of our obligations under this Agreement and the rights or benefits hereunder provided such transferee shall (if required), be permitted to carry on the same business as us. Where we transfer any part of our business to another party, you agree that we may transfer your money that relates to that business to that party provided (a) that party holds that money in accordance with the FCA Rules or (b) we exercise all due skill, care and diligence in assessing whether that party will apply adequate measures to protect that money.
- 33.2. You may not assign or transfer any of your rights or obligations under this Agreement without our prior written consent.

### 34. Third party rights

- 34.1. A person who is not a party to this Agreement has no right under the Contract (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

### 35. Severance

- 35.1. In the event that any provision or any part of any provision of this Agreement is held to be unenforceable or illegal, in whole or in part, such provision or part shall to that extent be deemed not to form part of this Agreement but the enforceability of the remainder shall remain unaffected.

### 36. General

- 36.1. For the avoidance of doubt:
- (a) in the event of there being any inconsistency between any of the terms of this Agreement and any relevant FCA Rules, Applicable Law or any exchange or market (including any associated clearing house or clearance system) the relevant rule will take precedence;
  - (b) in this Agreement any reference to any statute, subordinate legislation (including without limitation) the FCA Rules or rules of any exchange or clearing house shall be to such statute, subordinate legislation or rule as amended or extended from time to time;
  - (c) any words or expressions defined in the glossary of definitions which forms part of the FCA Rules has the same meaning in this Agreement; and
  - (d) the rights and remedies herein provided are cumulative and not exclusive of any rights and remedies provided by law.

### 37. Governing law

- 37.1. This Agreement (and the non-contractual obligations arising out of it) shall be governed by and interpreted in accordance with the laws of England and Wales. The parties irrevocably agree that the Courts of England and Wales shall have exclusive jurisdiction to settle any dispute arising in connection with this Agreement.

### 38. Definitions

"Affiliate"	means, any company within the Canaccord Genuity Group Inc. group, connected by ownership or legal structure, as defined in the FCA Rules.
"Applicable Law"	means: <ul style="list-style-type: none"><li>i. the rules and guidance of the FCA or any other rules of a relevant regulatory authority,</li><li>ii. the rules of a relevant market or clearing house, and</li></ul>

	<p>iii. other applicable laws, rules and regulations as in force from time to time</p> <p>as applicable to this Agreement.</p>
"Business Day"	means a day (other than a Saturday or Sunday) on which banks are open for general business in London.
"CREST"	means the centralised settlement system for securities trades on the London Stock Exchange.
"Delivery Versus Payment"	means the settlement procedure in which the buyer and the seller of a security agree that the seller will pay the buyer upon the delivery of the security to the seller.
"Eligible Counterparties"	has the meaning set out in the FCA Rules.
"ETC"	means electronic trade confirmation, in which we confirm the details of transactions.
"FCA CASS Rules"	means the rules of the FCA relating to the protection of client money or assets as defined in the FCA Rules.
"FCA Rules"	means the guidance, rules and regulations of the FCA made pursuant to its powers under the Financial Services and Markets Act.
"FCA"	means the Financial Conduct Authority or any body that may replace it, being the regulator of the of the financial services industry in the United Kingdom that authorises and regulates CGL.
"Limit Order"	means an order to buy or sell a financial instrument at a specified price limit or better and for a specified amount.
"Multi-Lateral Trading Facility"	has the meaning set out in the FCA Rules.
"Order Execution Policy"	means our policy which sets out how we will deal with your orders, as amended from time to time.
"Outside Custodian"	means a custodian appointed by you to provide safe custody services in relation to your investments.
"Professional Client"	has the meaning set out in the FCA Rules.
"Regulated Market"	has the meaning set out in the FCA Rules.
"Sub-Custodian"	means a bank or financial institution providing custody services in respect of a particular market of jurisdiction, on behalf of CGL.
"Tax Obligations"	means all tax declaration and reporting obligations relating to the assets held in your account and any income or gains they produce.



## **Exhibit A: Risk warnings**

All investments involve a degree of risk of some kind. This Exhibit describes some of the risks which could be relevant to the services we provide to you and to the investment products we trade with you or on your behalf. We may provide further risk information during the course of our services to you, as appropriate. Our services relate to certain investments whose prices are dependent on fluctuations in the financial markets outside our control. Investments and the income from them may go down as well as up and you may get back less than the amount you invested. Past performance is not a guide to future performance. This Exhibit cannot disclose all the risks associated with the products we make available to you. You should not invest in or deal in any financial product unless you understand its nature and the extent of your exposure to risk. You should also be satisfied that it is suitable for you in the light of your circumstances and financial position. Different investment products have varied levels of exposure to risks and to different combinations of risks. This information is not intended to constitute a comprehensive statement of all the risks to which you might be exposed and there may be others that exist now or which may arise in the future.

### **Currency risk**

Investments denominated in a currency other than sterling or ones that undertake transactions on foreign markets, which include the financial markets of developing countries (Emerging Markets – see below), may expose you to greater risks caused by fluctuations in foreign exchange rates. This can adversely affect the value of your return and the value of your investment. Investments in emerging markets are exposed to additional risks, including accelerated inflation, exchange rate fluctuations, adverse repatriation laws and fiscal measures, and macroeconomic and political factors.

### **Liquidity risk**

There may be difficulty in selling an investment caused by a number of factors, including but not limited to insolvency of the investment, adverse stock market conditions, selling restrictions placed on funds by their managers (sometimes referred to as gating, lockups, notice periods or suspension of redemptions). In these circumstances you may not be able to sell such investments in a timely manner and the value of those investments may fall significantly.

### **Market risk (systematic risk)**

Market risk defines the extent to which returns from all investments change in the same way because they have been subject to the same underlying stimulus such as a change in the interest rate outlook or prospective growth path. You cannot manage systematic risk by diversifying your portfolio.

### **Non-systematic risk**

Non-systematic risk defines the extent to which the returns change from one specific asset such as a company (equity) or bond, as the result of new information or news flow. That is, the returns change in response to very specific information about that specific asset but which has no other implications for other similar assets. This risk can be diversified away.

### **Credit risk**

Credit risk defines the extent to which a recipient of a loan (typically, in an investment context, a company or a government) is likely to repay that loan and/or any interest accruing to it. Whenever an investor buys a bond, he is extending a loan to the issuer of the bond. There are a number of independent agencies that assess credit risk for companies and government entities that issue bonds (debt), and their measure of credit risk is usually referred to as a credit rating.

### **Suspensions of trading**

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted.

## Stabilisation

You may enter transactions in newly issued securities in respect of which we are the stabilisation manager and the price of which may have been influenced by measures taken to stabilise it. Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other securities relating to it. The FCA allows stabilisation in order to help counter the fact that when a new issue comes onto the market for the first time, the price can sometimes drop for a time before buyers are found. As long as the stabilisation manager follows FCA Rules, it is entitled to buy back the securities that were previously sold to investors or allotted to institutions which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation. The stabilisation rules limit the period when a stabilisation manager may stabilise a new issue, fix the price at which the issue may be stabilised (in the case of shares and warrants, but not bonds) and require disclosure of the fact that a stabilisation manager may be stabilising but not that it is actually doing so. The fact that a new issue, or a related security, is being stabilised should not be taken as any indication of the level of interest from investors, nor of the price at which they are prepared to buy the securities.

## Emerging Markets

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

## Bonds – Government and Corporate

Bonds and Notes, also known as fixed-interest investments, are types of loans where a Government or a company issues a bond to raise money. “Gilt-edged” securities - known as “gilts” - are borrowings made by the UK Government. Bonds are issued by most countries, and by companies (corporate bonds). In return for its loan, the issuer of the bond pays an interest amount to the bond purchaser. This interest amount, which is usually a fixed rate, is typically paid semi-annually or annually to the purchaser, for as long as the purchaser continues to own the bond. Many different types of bonds are available, both simple and complex. Most bonds have a pre-determined final payment date (the “maturity” date) - at which time the company returns a set amount of money to investors that own the bond at that time. Consequently, when purchasing a bond, an investor can usually predict when the investor’s money is likely to be repaid. This is important in making longer term investment decisions. Bond prices tend to have an inverse relationship to interest rates. A bond paying a 7% interest rate is likely to be valued more highly when general interest rates are low than when interest rates are high. The length of time to maturity (repayment) of the bond also affects the price of the bond and how much it may fluctuate (risk). The longer the maturity of the bond the more risky its price tends to be. An increase or decrease in interest rates is likely to have a minor impact on the price of a bond maturing in less than a year. The price of a bond maturing in 30 years is likely to be significantly impacted by an interest rate change. Short term bonds are therefore considered to represent lower risk than longer term bonds.

Bonds are generally perceived to be lower risk than shares, although the risk depends on a variety of factors - and it is not the case that all bonds are low risk. Risk factors include:

The ability of the lender to repay. If the lender is unable to repay the principal, the investor may sustain a loss of the entire investment. If the lender is unable to pay the interest, the purchaser will no longer receive the annual or semi-annual interest coupon. Generally, Government issued bonds are lower risk than corporate bonds. Bonds are rated according to the ability of the issuer to pay. These ratings are assigned by third party agencies.

The price of a bond may fluctuate during its life. If the purchaser sells the bond before the maturity date, the price at which it is sold may be lower than the purchase price, so the purchaser may lose money. The longer the time to maturity, the greater the risk that the price may fluctuate in this way.

When a bond is redeemed a purchaser receives cash. The purchaser may wish to find an alternative investment for the cash. If interest rates have fallen since the purchaser originally purchased the bond, the re-invested cash may earn a much lower rate of return. This is known as re-investment risk.

Not all bonds are liquid - i.e. it is not always possible to find a buyer for a bond. Bonds are not traded on a market but “over the counter” between one dealer and another. It is not always easy to determine the price of a bond or how easy it is to buy or sell. Generally, investment grade bonds are more liquid and therefore easier to buy or sell.

### **Equities (Shares)**

Equities represent a part ownership in a company. As such, the owner of a share participates in the fortune of the company - for good or ill. If the company does well, the shares are likely to rise in price, but if the company does badly, the share price is likely to fall. Holders of ordinary shares are the last to be paid in the event of a company becoming insolvent. However, ordinary shareholders also have the potential for good returns provided the company does well and is perceived to be continuing to do well. Some shares pay a dividend, either semi-annually or quarterly. A dividend is an amount of money, determined by the company's Board of Directors, which is a distribution of the company's profits. Established, profitable companies tend to pay dividends and have a good record of providing a steady stream of dividend payments. Periods of economic difficulty may, however, interrupt such dividend payment for even the most established equities. Younger, less established companies that are building a business tend to retain their profits for re-investment. These are called “growth” companies as their business strategy is to grow their business rapidly. Shares are available in companies of different sizes, industrial sectors, geographical locations, and on different stock markets. Liquidity is an important risk factor when investing in individual equities and is generally driven by the market capitalisation (total value of issued shares) of the company and current market conditions. Liquidity levels can change rapidly and lack of liquidity often restricts trading in equities with smaller market capitalisations (known as mid cap and small cap). Information on overseas investments is not as readily available to the UK public as for UK companies and the financial pages of the national press give little coverage of the subject. Different time zones also mean that you will not always be able to get a real time price for overseas stocks during the UK trading day. Whether investing directly in overseas markets or through collective investment schemes, currency fluctuations need to be taken into account. A gain or loss made on the performance of a stock can easily be offset by a movement in the currency exchange rate. Alternatively a gain or loss on a stock could be compounded to make an even larger one. Liquidity considerations are similar to UK shares. Dealing/administrative costs tend to be higher than UK shares. Shares are usually perceived to represent greater risk than bonds. The price of individual shares can fluctuate considerably and can appreciate or decline rapidly. Shares can also remain in decline over long time periods. Share prices rise and fall according to the health of the company and general economic and market conditions. Individual share price rises and falls can be significant. Stock market investments tend to be more volatile than investments in most bonds. Shares purchased on the Alternative Investment Market (AIM) (especially those known as ‘penny shares’) carry a higher degree of risk of losing money than other UK shares. This is because the requirements on companies that are listed on AIM are less stringent than those for companies with a full market listing. There is also usually a wider spread between the buying price and the selling price of these shares and if they have to be sold immediately, you may get back less than you paid for them due to a lack of liquidity. The price of these shares may change quickly and they may go down as well as up. It may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed.

### **Collective Investment Schemes (commonly known as ‘funds’)**

A fund is a term that covers different types of structure, normally Open Ended Investment Companies (‘OEICs’ - by far the most common) or Unit Trusts. Funds are arrangements that enable a number of investors to ‘pool’ their money, in order to gain access to professional fund managers. Investments held by these funds may typically include gilts, bonds and quoted equities, but depending on the type of scheme, may hold higher risk instruments such as property, derivatives, unquoted securities and other complex products. The value of a fund, and the income derived from it, can decrease as well as increase and you may not necessarily get back the amount you originally invested. In addition, funds bear investment management risks, insolvency risks and possibly liquidity risks. You should ensure that you understand the nature of any fund before you invest in it.

## Investment trusts

Investment trusts are similar to funds in that they provide a means of pooling your money but they are publicly listed companies whose shares are traded on the London Stock Exchange. The price of their shares will fluctuate according to investor demand and changes in the value of their underlying assets. They will be subject to a combination of the risks associated with shares, bonds and funds in which they are invested. The value of investment trusts, or the income derived from them, can decrease as well as increase and you may not necessarily get back the amount you invested

## Exchange Traded Funds (ETFs)

ETFs are investment funds, traded like shares which hold assets such as shares, commodities or bonds. They normally closely track the performance of a financial index, and as such, their value can go down as well as up and you may get back less than you originally invested. Some ETFs rely on complex investment techniques, or hold riskier underlying assets, to achieve their objectives and therefore you should always ensure you read the documentation provided to ensure you fully understand before you invest the risks you are taking on.

## 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. Warrants often involve a high degree of gearing, so that a relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile. It is essential for anyone who is considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time with the consequence that if the investor fails to exercise this right within the predetermined time scale then the investment becomes worthless. You should consider carefully whether warrants are suitable for you in the light of your circumstances and financial position. 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 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').

## Structured Products

Structured Products are products structured to fulfil a particular trading or market objective. A structured product may combine the features of two or more financial instruments (for example a bond and a derivative). Derivatives often constitute an integral part of a structured product. The product may involve an element of leverage and so a relatively small movement in the value of the relevant underlying asset or index may have a significant effect on the value of the structured product. Structured products are generally not traded on regulated markets and you take the risk on the counterparty issuing the structure. There is typically no recognised market for these investments and it may, therefore, be difficult for you to deal in the investment or to obtain reliable information about its value or the extent of the risks to which it is exposed. Some structured products include an element of capital protection – however, you should bear in mind that this is not a guarantee that the amount invested will be returned in all circumstances. The capital protection offered is typically subject to the investment being held until maturity and to the creditworthiness of the issuer. Structured products are often high risk investments and you could lose some or all of the money that you have invested in them.