Risk Warnings

This statement (**"Risk Warning"**) contains a general description of the nature and risks of products which is provided to assist you in understanding the nature and risks of the service and of the product being offered so that you are in a position to take investment decisions on an informed basis.

Appendix 1 of this Risk Warning also contains information highlighting the risks and consequences in connection with **title transfer collateral arrangements** and **security collateral arrangements**.

This statement is provided for information purposes and may be amended or supplemented by additional risk disclosures from time to time.

This Risk Warning cannot disclose all the risks and other significant aspects of the investments and markets referred to herein. You should not deal in financial instruments unless you understand their nature and the extent of your exposure to risk and potential loss. Although financial instruments can be used for the management of investment risk, you should have regard to and consider carefully your own particular experience, objectives, financial circumstances and other relevant factors in entering into a product. Some products are unsuitable for many investors. If you are in any doubt, you should seek independent professional advice before entering into a product.

The majority of our business is conducted outside of regulated trading venues, sometimes also referred to as "over-the-counter" or "OTC" the risks of which are described further in Section 2.5 (OTC Risks) (below).

1 Product types

1.1 Equities

Shares

A share is an instrument representing a shareholder's rights in a company. One share represents a fraction of a company's share capital. When you buy or subscribe for shares issued by a company, you are buying a part of that company and you become a shareholder in it, which usually means you have the right to vote on certain issues. You can either buy new shares when the company sells them to raise money (through an initial public offering if a company is listing) or buy existing shares which (in the case of a listed company) are traded on the stock market.

The aim is for the value of your shares to grow over time as the value of the company increases in line with its profitability and growth. In addition, you may also receive a dividend, which is an income paid out of the company's profits. Longer-established companies usually pay dividends whilst growing companies tend to pay lower, or no, dividends (with these you would typically be hoping for better capital growth).

1.2 Debt

Bonds/Debentures

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

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

Bonds have a nominal value. This is the sum that will be returned to investors when the bond matures at the end of its term.

1.3 Derivatives

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.

Securitised Derivatives

These instruments may give you a time-limited right or an absolute right to acquire or sell one or more types of investment which is normally exercisable against someone other than the issuer of that investment. Or they may give you rights under a contract for differences (below) which allow for speculation on fluctuations in the value of the property of any description or an index, such as the FTSE 100 index. In both cases, the investment or property may be referred to as the 'underlying instrument'.

Futures

Futures transactions involve the obligation to make, or to take, delivery of the underlying assets of the contract at a future date, or in some cases to settle the position with cash. Transactions in futures are conducted on regulated trading venues.

Options

An option is a financial derivative which represents a contract sold by one party (writer of the option) to another (buyer of the option). The option buyer has the right, but not the obligation, to buy or sell a security or other financial asset at an agreed-upon price during a certain period of time or on a specific date.

Contracts for Differences

Certain futures and options contracts can also be referred to as contracts for differences. These can be options and futures on the FTSE 100 index or any other index, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash.

1.4 Contingent Convertible Securities ("CoCos")

Certain issuers (principally, banking institutions) may issue a hybrid form of subordinated fixed income security known as contingent convertible securities. These financial instruments are intended to either convert into equity or have their principal written down upon the occurrence of certain "triggers" linked to regulatory capital thresholds or where the issuer's regulatory authorities question the continued viability of the entity as a going-concern

2 Types of Risk

2.1 Market Risks

Interest Rate Risk

The risk that investment prices will fall as interest rates rise. By buying a bond for instance, the bondholder has committed to receiving a fixed rate of return for a fixed period. Should the market interest rate rise from the date of the bond's purchase, the bond's price will fall accordingly. The bond will then be trading at a discount to reflect the lower return that an investor will make on the bond. Market interest rates are a function of several factors such as the demand for, and supply of, money in the economy, the inflation rate, the stage that the business cycle is in as well as the government's monetary and fiscal policies.

Inflation Risk

The risk that the rate of price increases in the economy deteriorates the returns associated with the bond. This has the greatest effect on fixed-rate inflation-linked bonds, which have a set interest rate from inception. For example, if an investor purchases a 5% fixed bond and then inflation rises to 10% a year, the bondholder will lose money on the investment because the purchasing power of the proceeds has been greatly diminished. The interest rates of floating-rate bonds may be adjusted periodically to match inflation rates, limiting investors' exposure to inflation risk.

Foreign Markets

Foreign markets will involve different risks from the UK markets. In some cases the risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

Commodity risk

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

Suspensions of Trading

A suspension of trading may occur, for example, at time of rapid price movements if the price rises or falls in one trading session to such an extent that under the rules of the relevant regulates trading venue, trading is suspended or restricted. 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.

2.2 Liquidity Risk

Liquidity risk exists when particular instruments are difficult to purchase or sell. Liquidity risk may be attributable to a number of factors including: the particular terms and conditions of the instrument; because they are bilaterally negotiated (for instance, credit derivatives); legal, regulatory or contractual restrictions on their sale or transfer; the fact that the instrument is not publicly traded (for example, because it is not listed on an exchange); or in response to market developments or adverse investor perceptions. Liquidity risk may also arise where ownership in a particular financial instrument is concentrated in one or a small number of investors or as the result of the reduced number and capacity of traditional market participants to make a market in the relevant financial instrument. For example, in the case of securitised derivatives, the only market maker might be the issuer itself (or an affiliate of the issuer), who might provide a limited undertaking to act as market maker. Additionally, market participants may attempt to sell holdings at the same time as the investor, and there may be insufficient liquidity to accommodate these sales. These factors may exist at the time of investment or may arise subsequently. You should be aware that there is a restricted market for such investments. As a result, it might be

difficult to transact in such illiquid instruments at advantageous times or prices, or at all. Also, instruments that are illiquid or that trade in lower volumes may be more difficult to value or to obtain reliable information about their value.

2.3 Product related risks

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 your firm to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be responsible for the resulting deficit. Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered the contract.

Save as specifically provided by the FCA and PRA Rules, we may only carry out margined or contingent liability transactions with or for you if they are traded on or under the rules of a regulated trading venue. Contingent liability investment transactions which are not so traded may expose you to substantially greater risks.

Restrictions on Disinvestment

As well as the risks described under Break Costs (below) and Liquidity Risk (above), there may be other factors that give rise to constraints, impediments or disincentives with respect to disinvestment. For example, securitised derivatives are typically structured with a fixed investment term, with the intention that they are held to maturity. The disposal of a securitised derivative prior to maturity may result in a sale price that is significantly less than the amount invested and may not reflect any increase in value attributable to the increase in the underlying reference asset; also, as mentioned above, any principal (or capital) protection features will typically apply only if the product is held to maturity

Limited Liability Transactions

Before entering into a limited liability transaction, you may approach us to request 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.

Break Costs

If you enter into an OTC derivative transaction (such as an interest rate swap or an FX forward) with us and decide to close out the transaction before its scheduled termination date, you may have to pay breakage costs. These will be calculated by reference to prevailing market conditions on the basis of current market levels and market expectations of future performance and future obligations under the transaction and may include associated costs, such as credit charges, our cost of funding, and any costs incurred by us in terminating any related financial instrument or trading position. Please note that such break costs may be substantial.

Where you enter into a derivatives transaction with us for the purposes of hedging a loan or other debt instrument and you subsequently wish to repay the debt (whether through a refinancing or otherwise), you should be aware that it may be necessary for us to terminate the hedging transaction prior to its scheduled termination date and satisfy any liabilities that you have to us with respect to such transaction (including break costs) before we will release any security you have provided to us with respect to such liabilities.

Strategies

Particular investment strategies will carry their own particular risks. For example, certain strategies, such as a "spread" position (which seeks to take advantage of the difference between two or more related prices or other financial variables) or a "straddle" (a strategy which involves the purchase of an option that allows the holder to benefit from the movements in price of an underlying security whether or not such movements are positive or negative), may be as risky as a simple "long" or "short" position. You should therefore ensure that you understand the investment strategy being employed and the associated risk implications of such a strategy.

Listed securities utilising leverage

The value of listed investments where the issuer of the investment uses or proposes to use borrowing or other forms of gearing to enhance the return for, or value of investments made by the issuer without increasing the amount the issuer invested may be more volatile than the underlying investments made by the issuer and may be subject to sudden and large falls in value, and if the fall in value is sufficiently large, the value of the investment may fall to zero.

Hybrid Investments

Certain financial instruments may be composed of two or more different financial instruments or may otherwise combine features of one or more other financial instruments. Examples include convertible bonds and securitised derivatives. Where this is the case, the financial instrument will typically exhibit the risks of each of those financial instruments of which it is comprised, but those risks may interact with each other in ways which magnify those risks (resulting in an aggregate risk greater than the risks of the individual component parts) and/or give rise to other risks, and this may depend on the particular circumstances and market conditions.

2.4 Credit and Default Risks

Credit Risk

Credit risk is the risk of loss caused by borrowers, bond obligors or issuers, guarantors, or counterparties failing to fulfil their obligations or the risk of such parties' credit quality deteriorating. A party's credit quality may be subject to fluctuations. Additionally, exposure to the credit risk of one or more entities which is referenced in, for example, a credit linked note (i.e. a bond which has a value based upon, and which tracks, the creditworthiness of a third party), may be substantially greater than when investing in an obligation of the reference entity itself.

Default Risk

Default Risk is the risk that a bond's issuer will be unable to pay the contractual interest or principal on the bond in a timely manner, or at all, for example in the event of the issuer's insolvency. Credit ratings services such as Moody's, Standard & Poor's and Fitch give credit ratings to bond issues, which help to give investors an idea of how likely it is that a payment default will occur.

Insolvency Risk

Our insolvency or default, or that of any brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent. For example, this risk exists in relation to derivatives such as futures, options and contracts for differences (described above) and whether or not those transactions are outside of a regulated trading venue or OTC. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash.

You will also be exposed to the risk of the insolvency of the issuer of an investment, for example as described in relation to equities and bonds/debentures (below), or the provider of any guarantee or assurance with respect to an investment. In the case of bonds that generate a return that is linked to the performance of a real or notional pool of underlying assets, you will be exposed to the risk of insolvency events relating to those assets and/or service providers (for example, custodians) with respect to such assets.

Clearing House Protections

On many regulated trading venues, the performance of a transaction by us (or third party with whom it is dealing on your behalf) is 'guaranteed' by the venue or clearing house. However, this guarantee is unlikely in most circumstances to cover you, the client, and may not protect you if we or another party defaults on its obligations to you. There is normally no clearing house for instruments traded OTC which are not traded under the rules of a regulated trading venue

Bail-In Risk

This is the risk that the financial instruments of certain issuers, including banking institutions, building societies, investment firms and certain banking group companies, may be subject to action taken by governmental, banking and/or other regulatory authorities, for example to address banking crises pre-emptively, whether or not the express terms of such financial instruments anticipate such action. The relevant authorities may have broad discretion on the action they may take and their powers may be extended in response to particular events. Examples of the action they may be able to take could include the following:

- The reduction, including to zero, of the principal of the bonds/debentures of such issuers;
- The conversion of such bonds/debentures into equities or other instruments of ownership (resulting in the dilution of ownership interests of existing shareholders);
- The variation of the terms, including with respect to maturity and/or the payment of interest, of such bonds/debentures; and
- Shareholders being divested of their shares.

Collateral

If you deposit collateral as security with us, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral depending on whether you are trading on a regulated trading venue, with the rules of that venue (and the associated clearing house) applying, or trading OTC . 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.

Please refer to Appendix 1 of this Risk Warnings for information on the risks and consequences in connection with title transfer collateral arrangements and security collateral arrangements.

2.5 OTC Risks

As mentioned above, the majority of our transactions are conducted on an OTC basis and carry the following specific risks.

Settlement Risk

In relation to OTC transactions, there exists potential settlement risk. Settlement risk is the risk that counterparty does not deliver the security (or equivalent) in accordance with the agreed terms after the other counterparty has already fulfilled its part of the agreement to so deliver. This means that you may deliver your property without receiving anything in return for that property. This settlement risk increases where different parts of the OTC transaction settle in different time zones or in different settlement systems where it is not possible to exercise netting (which is the process whereby the amount each party is required to deliver is reduced in accordance with the amounts each party has already delivered so that the amounts delivered by each party will partially or completely cancel each other out). This risk is particularly acute in foreign exchange transactions and currency swap transactions.

Liquidity Risk

While some OTC markets are highly liquid, OTC transactions or 'non-transferable' derivatives may involve greater risk than investing in on-venue derivatives because there is no regulated market on which to close out an open position. OTC transactions in warrants may involve greater risk than dealing in exchange traded warrants because there is no exchange market through which to liquidate your position, or to assess the value of the warrant or the exposure to risk. It may be impossible to liquidate an existing position, to assess the value of the position arising from a transaction executed OTC or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it will be difficult to establish what a fair price is.

3 Product-specific risks

3.1 Equities

Shares

Under normal circumstances, a shareholder in a company has no right to require that company to return capital to it. Unless the company chooses to return capital to the shareholder (for example by effecting a share buy-back) or the shares carry redemption rights exercisable by the shareholder (which is normally not the case), the shareholder's only way to realise its investment will be to sell the shares to another investor. Consequently, a shareholder's return from investing in the equity will depend to a large extent on the market price of the equities at the time of the sale. The market price of an equity is affected by the supply of and demand for that equity within the market. In turn, supply and demand (and therefore the volatility of the share price) are affected by a number of factors including:

- **domestic versus international factors** – the vulnerability of the company to international events or market factors which would include movements in exchange rates, changes in trade or tariff policies and changes in other stock or bond markets;
- **sector specific factors** – these would include demand for the product the company produces, commodity prices, the economic cycle of industry, changes in consumer demands, lifestyle changes and changes in technology; and
- **company specific factors** – these would include the company's directors, the strength of the company's management and the significance of any key personnel, the company's profit history, the company's tangible asset base, debt level and fixed cost structure, litigation, profits or losses on particular contracts, competition from within the sector, and whether the company already has a profitable business or whether it is exploring for recoverable resources or is developing a new product.

The level of a stock market goes up or down as the prices of the shares that are the constituents of that market go up or down. The main factor determining the price of a share is the perception of its current value to its owner.

One factor that could affect the price of a share is a change in opinion as to how well the company itself is performing or could perform in the future. This opinion is frequently based on predictions about the economic conditions in which a company is operating, which is why it might seem that stock markets go up or down depending on economic conditions.

Shares are generally a fairly volatile asset class – their value tends to go up and down more than other classes such as bonds. If you are investing in shares you should expect the value of your investment to go down as well as up, and you should be comfortable with this. Holding shares is high risk – if you have put all your money into one company and that company becomes insolvent then you will probably lose most, if not all, of your money.

In the short term, shares may go up and down in value and this can occasionally be very significant. However, if you have a wide range of shares, you reduce the likelihood of losing all or most of your money.

The liquidity of the shares may be affected by whether the shares are listed or unlisted. Where shares are unlisted it may be more difficult to deal in them or obtain reliable information about their value (and it may therefore be difficult to establish a proper market in them for the purposes of making a subsequent sale).

Shareholders are also exposed to Insolvency Risk.

As a shareholder in the company, you could lose some or all of the money that you have invested in the shares.

3.2 Debt

Bonds/Debentures

Although bonds have a nominal value, because bonds are traded on the bond market, the price you pay for a bond may be more or less than the nominal value. There are several reasons why the price might vary from the nominal value, for example:

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

The risks associated with investing in bonds include:

- Interest Rate Risk, Inflation Risk and Default Risk.
- **Call Risk** (in relation to callable bonds) – is the risk that a bond will be called by its issuer. Callable bonds have call provisions, which allow the bond issuer to purchase the bond back from the bondholders and retire the issue. This is usually done when interest rates have fallen substantially since the issue date. Call provisions allow the issuer to retire the old, high-rate bonds and sell low-rate bonds in a bid to lower debt costs.

Bonds can be bought and sold in the market (like shares) and their price can vary from day to day. A rise or fall in the market price of a bond does not affect what you would get back if you hold the bond until it matures. You will only get back the nominal value of the bond (plus any coupon payment to which you have been entitled during your ownership of the bond), irrespective of what you paid for it. Fixed rate transferable securities with longer maturities/lower coupons tend to be more sensitive to interest rate movements than those with shorter maturities/higher coupons (short-term debt securities are sometimes known as debentures rather than bonds).

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

Some bonds generate a return that is linked to the performance of a real or notional pool of underlying assets. In such circumstances, the return you receive will depend upon the performance of the underlying pool.

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

3.3 Derivatives

Warrants and securitised derivatives

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 instrument. The price of these instruments can therefore be volatile.

It is essential for anyone who is considering purchasing these instruments to understand that where the right to subscribe which these instruments confer is limited in time, the consequence is that if the investor fails to exercise this right within the predetermined timescale then the investment becomes worthless (unless there is some form of guaranteed return to the amount you are investing in the product, whether with respect to the income and/or principal).

You should not buy these instruments unless you are prepared to sustain a total loss of the money you have invested plus any commissions or other transaction charges.

Please note that, even where a return (with respect to income or principal) is expressed to be “guaranteed”, the investor is exposed to the risk of default of the provider of the guarantee (who may be the issuer).

Where the guaranteed return relates to the principal amount invested, this might be structured or described as a principal (or capital) protection feature. This typically refers to a feature under which the principal amount payable at maturity is not less than a stated amount, regardless as to the performance of the underlying asset or index. However, if the structured product is sold before maturity, the principal protection feature will typically not apply and the sale price will therefore be impacted by a number of factors, including the performance of the underlying asset or index and, therefore, you may receive less than the amount that would be payable at maturity under the principal protection feature.

Also, investors are typically exposed to the credit risk of the issuer and (as with fixed income securities generally) the value (or market price) of the structured product prior to maturity will be impacted not only by the performance of the underlying asset or index but also by other factors, including the forces of supply and demand and the credit rating or perceived credit worthiness of the issuer.

Futures

Futures carry a high degree of risk. The ‘gearing’ or ‘leverage’ often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you. Futures transactions have a contingent liability, and you should be aware of the implications of this, in particular the margining requirements, which are set out in Section 2.3 (Product related risks) (Contingent Liability Investment Transactions) (above).

Options

There are many different types of options with different characteristics and risks subject to the following conditions:

Buying Options

Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, 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 will acquire the future. This will expose you to the risks described under Section 3.3 (Derivatives) (Futures) (above) and Section 2.3 (Product related risks) (Contingent Liability Investment Transactions) (above).

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 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 (when the options will be known as ‘covered call options’) the risk is reduced. If you do not own the underlying asset (‘uncovered call options’) the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

As writing options typically involves a contingent liability, you should be aware of the implications of this, in particular the margining requirements which are set out in Section 2.3 (Product related risks) (Contingent Liability Investment Transactions) (above).

Contracts for differences

Investing in a contract for differences carries the same risks as investing in a future or an option and you should be aware of these risks as set out above. Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this as set out in Section 2.3 (Product related risks) (Contingent Liability Investment Transactions) (above).

3.4 Contingent Convertible Securities (“CoCos”)

The risks associated with CoCos include:

- Bail-in Risk.

The issuer of a Coco may have broad discretion to determine whether any of the relevant triggers have occurred and the specific features and characteristics of CoCos may vary significantly, as they are typically tailored to the particular issuer and its regulatory requirements. Therefore, it is particularly important to review the relevant terms and conditions. The conversion of CoCos may take place in circumstances where the relevant governmental, banking and/or other regulatory authorities do not exercise their discretion in relation to bail-in with respect to the issuer.

Typically there is no stated maturity and the coupon (that is, the payment of interest) is fully discretionary. This means coupons can potentially be cancelled at the issuer’s discretion or at the request of the relevant regulatory authority in order to help the issuer to absorb losses.

If the CoCos are converted into the issuer’s underlying equity securities following a conversion event, each holder will be subordinated due to their conversion from being the holder of a debt instrument to being the holder of an equity instrument.

The market value of the CoCos will fluctuate based on unpredictable factors including, without limitation (a) the creditworthiness of the issuer and/or fluctuations in such issuer’s applicable capital ratios; (b) supply and demand for the CoCos; (c) general market conditions and available liquidity; and (d) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

Appendix 1

INFORMATION STATEMENT RELATING TO RISKS AND CONSEQUENCES IN CONNECTION WITH COLLATERAL ARRANGEMENTS ("INFORMATION STATEMENT")

THIS INFORMATION STATEMENT APPLIES IF YOU HAVE ENTERED INTO, OR MAY IN FUTURE ENTER INTO A COLLATERAL ARRANGEMENT (AS DEFINED IN PARAGRAPH 6 BELOW) DURING THE COURSE OF YOUR RELATIONSHIP WITH US.

1. This Information Statement is provided for information purposes only and does not amend or supersede the express terms of any transaction, Agreement, Collateral Arrangement or any rights or obligations you may have under Applicable Law, create any rights or obligations, or otherwise affect your or our liabilities and obligations.

2. This Information Statement is not intended to be, and should not be relied upon as, legal, financial, tax, accounting or other advice. Unless otherwise expressly agreed in writing, we are not providing you with any such legal, financial, tax, accounting or other advice and you should consult your own advisors for advice on consenting to a right of use of collateral or margin provided under a security collateral arrangement or on concluding a title transfer collateral arrangement, including the impact on your business and the requirements of, and results of, entering any related transaction or Agreement.

INTRODUCTION

3. This Information Statement has been prepared to comply with the FCA Rules in relation to client money and custody assets by informing you of the risks involved and the effects of any security collateral arrangement or title transfer collateral arrangement with respect to money or non-cash assets belonging to you ("**Re-use Risks and Consequences**"). This Information Statement relates only to Re-use Risks and Consequences and does not address any other risks or consequences that may arise as a result of your particular circumstances or as a result of the terms of a particular transaction or Agreement.

RE-USE RISKS AND CONSEQUENCES

4. Where you transfer full ownership in your cash or non-cash assets to us under a title transfer collateral arrangement or if we exercise a right of use in relation to cash or non-cash assets that you have provided to us by way of collateral or margin under a security collateral arrangement ("**Relevant Assets**"), we draw your attention to the following Re-use Risks and Consequences:

    a. your rights, including any proprietary rights that you may have had, in those Relevant Assets will be replaced by an unsecured contractual claim for delivery of equivalent cash or non-cash assets subject to the terms of the relevant Collateral Arrangement;

    b. those Relevant Assets will not be held by us in accordance with client money or client asset rules, and, if they had benefited from any client money or client asset protection rights, those protection rights will not apply (for example, the Relevant Assets will not be segregated from our assets and will not be held subject to a trust);

    c. in the event of our insolvency or default under the relevant transaction or Agreement your claim against us for delivery of equivalent cash or non-cash assets will not be secured and will be subject to the terms of the relevant Collateral Arrangement and Applicable Law and, accordingly, you may not receive such equivalent cash or non-cash assets or recover the full value of the Relevant Assets (although your exposure may be reduced to the extent that you have liabilities to us which can be set off or netted against or discharged by reference to our obligation to deliver equivalent cash or non-cash assets to you);

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

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

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

g. subject to any express agreement between you and us, we will have no obligation to inform you of any corporate events or actions in relation to those Relevant Assets;

h. you will not be entitled to receive any dividends, coupon or other payments, interests or rights (including securities or property accruing or offered at any time) payable in relation to those Relevant Assets, although the express written terms of the relevant Collateral Arrangement may provide for you to receive or be credited with a payment by reference to such dividend, coupon or other payment (a "**manufactured payment**");

i. a title transfer collateral arrangement or our exercise of a right of use under a security collateral arrangement in respect of any Relevant Assets and the delivery by us to you of equivalent assets may give rise to tax consequences that differ from the tax consequences that would have otherwise applied in relation to the holding by you or by us for your account of those Relevant Assets;

j. where you receive or are credited with a manufactured payment, your tax treatment may differ from your tax treatment in respect of the original dividend, coupon or other payment in relation to those Relevant Assets.

5. Where we provide you with clearing services (whether directly as a clearing member or otherwise), we draw your attention to the following additional Re-use Risks and Consequences:

   a. if we are declared to be in default by a CCP, the CCP may, pursuant to Applicable Law, try to transfer ("**port**") your transactions and cash or non-cash assets to another clearing member or, if this cannot be achieved, the CCP may terminate your transactions;

   b. in the event that other parties in the clearing structure default (including (but not limited to) a CCP, a custodian, a settlement agent or any clearing broker that we may instruct) you may not receive all of your cash or non-cash assets back and your rights may differ depending on the law of the country in which the relevant party is incorporated (which may not necessarily be English law) and the specific protections that such party has put in place;

   c. in some cases a CCP may benefit from legislation which protects actions it may take under its default rules in relation to a defaulting clearing member (e.g., to port transactions and related assets) from being challenged under relevant insolvency law.

DEFINITIONS

6. The following definitions are applicable to this Information Statement:

"Agreement" means any agreement between you and us pursuant to which a Collateral Arrangement arises or may arise.

"Applicable Law" means:

(a) the rules of a relevant regulatory authority as applicable;
(b) the rules and policies of any relevant trading venue (as such term is defined in the rules of the relevant regulatory authority), any other trading platform, execution venue, CCP and regulatory and/or self-regulatory organisation; and

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(c) in respect of each party, all other laws, rules, regulations and orders of governmental bodies or regulatory agencies, applicable to such party as in relation to the services under the Agreement, and orders of any court or arbitrator in proceedings to which a party is a party or to which it or its assets are subject.

"Collateral Arrangement" means a (a) title transfer collateral arrangement or (b) security collateral arrangement;

"CCP" means an entity authorised by the relevant regulatory authority to act as a central counterparty or clearing house;

"FCA Rules" means the Handbook issued by the Financial Conduct Authority (**FCA**).

"right of use" means any right we have to use, in our own name and on our own account or the account of another counterparty, cash or non-cash assets received by us by way of collateral or margin under a security collateral arrangement between you and us;

"security collateral arrangement" means an arrangement under which a collateral provider provides financial collateral or margin by way of security in favour of, or to, a collateral taker, and where the full ownership of the financial collateral or margin remains with the collateral provider when the security right is established and where the arrangement contains a right of use in favour of the collateral taker;

"title transfer collateral arrangement" means any arrangement under which a collateral provider transfers full ownership of financial collateral (cash or non-cash assets) to a collateral taker for the purpose of securing or otherwise covering the performance of relevant financial obligations;

"we", **"our"**, **"ours"** and **"us"** refer to the provider of this Information Statement that may conduct transactions, or enter into Agreements, with you (or, where we are acting on behalf of another person, including where that person is an affiliate, that person);

"you", **"your"** and **"yours"** refer to each of the persons to which this Information Statement is delivered or addressed in connection with entering into, continuing, executing or agreeing upon the terms of transactions or Agreements with us (or, where you are acting on behalf of other persons, each of those persons).