

Annex 2 of ToB. Risk Disclosure Notice

This Notice is provided by Tera Europe Limited (registered in England with number 0760437) whose registered office is Office 701, One Canada Square Canary Wharf, London E14 5AA (we) to you in compliance with the FCA Rules.

All words and expressions defined in the Terms of business shall, unless the context requires otherwise, have the same meaning in this Notice. The following statements are intended to make you aware of and disclose to you the nature and risk of certain investment types and trading strategies and potential for risk and loss that will arise in respect of trading on the financial markets.

This Notice cannot disclose all the risks and other significant aspects of either the investment types such as warrants and derivative products including futures, options, and contracts for differences, or the different trading strategies. Before undertaking any trading you must familiarise yourself with the product that you propose to trade and the way in which the market operates. Please ensure that you read all the information on our Website that is relevant to the trading that you propose to undertake with us. You should not deal in these products unless you understand their nature and the extent of your exposure to risk. You should also be satisfied that the product is suitable for you in the light of your circumstances and financial position. Certain strategies, such as a “spread” position or a “straddle”, may be as risky as a simple “long” or “short” position.

In part 2 of this notice we further draw your attention to CFDs and Rolling Spot Forex/FX CFD Contract risks.

PART 1. GENERAL RISK DISCLOSURE NOTICE

Although warrants and/or derivative instruments can be utilised for the management of investment risk, some of these products are unsuitable for many investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should be aware of the following points:

1. 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 difference, which allows 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”.

These instruments often involve a high degree of gearing or leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavourable or favourable, in the price of the instrument. The price of these instruments can therefore be volatile.

These instruments have a limited life, and may (unless there is some form of guaranteed return to the amount you are investing in the product) expire worthless if the underlying instrument does not perform as expected.

You should only buy this product if you are prepared to sustain a total or substantial loss of the money you have invested plus any commission or other transaction charges.

You should consider carefully whether or not this product is suitable for you in light of your circumstances and financial position, and if in any doubt please seek professional advice.

2. FUTURES

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The gearing or leverage often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you. Futures transactions have a contingent liability, and you should be aware of the implications of this, in particular the Margining requirements, which are set out in paragraph 6 below.

3. OPTIONS

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

Buying options:

Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, 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 “futures” and “contingent liability investment transactions”.

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.

Traditional options:

Certain London Stock Exchange member firms under special exchange rules write a particular type of option called a “traditional option”. These may involve greater risk than other options. Two-way prices are not usually quoted and there is no exchange market on which to close out an open position or to effect an

equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk. Certain options markets operate on a Margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay Margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

4. OFF-EXCHANGE TRANSACTIONS IN DERIVATIVES

It may not always be apparent whether or not a particular derivative is arranged on exchange or in an off-exchange derivative transaction. We must make it clear to you if you are entering into an off-exchange derivative transaction.

While some off-exchange markets are highly liquid, transactions in off-exchange or non-transferable derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction 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 may be difficult to establish what is a fair price.

5. FOREIGN MARKETS

Foreign markets will involve different risks from the UK markets. In some cases the risks will be greater. On request, we must provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which we will accept liability for any default of a foreign firm through whom we deal. 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.

6. 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 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 may be responsible for the resulting deficit remaining on your account.

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, your firm may only carry out Margined or contingent liability transactions with or for you if they are traded on or under the rules of a recognised or designated investment exchange. Contingent liability investment transactions which are not so traded may expose you to substantially greater risks.

7. LIMITED LIABILITY TRANSACTIONS

Before entering into a limited liability transaction, you should obtain from us or the firm with whom you are dealing 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.

8. 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 recognised or designated investment exchange, with the rules of that exchange (and the associated clearing house) applying, or trading off-exchange. Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets which you deposited, and may have to accept payment in cash. You should ascertain from us how your collateral will be dealt with.

The use of non-cash collateral may not be acceptable in certain circumstances.

9. COMMISSIONS

Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.

10. 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. 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.

11. CLEARING HOUSE PROTECTIONS

On many exchanges, the performance of a transaction by us (or third party with whom he is dealing on your behalf) is guaranteed by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover you and may not protect you if your firm or another party defaults on its obligations to you. On request, we must explain any protection provided to you under the clearing guarantee applicable to any on-exchange derivatives in which you are dealing. There is no clearing house for traditional options, nor normally for off-exchange instruments which are not traded under the rules of a recognised or designated investment exchange.

12. INSOLVENCY

Our insolvency or default, or that of any other brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent. 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. On request, we must provide an explanation of the extent to which it will accept liability for any insolvency of, or default by, other firms involved with your transactions.

13. PAST PERFORMANCE

You should be aware that the price of the financial instruments that you are dealing with depends on fluctuations in the financial markets outside of our control and that past performance is no indicator of future performance.

14. NON-READILY REALISABLE INVESTMENTS

We may arrange or enter into transactions in non-readily realisable investments. These are investments in which the market is limited or could become so. You may have difficulty selling this investment at a reasonable price and, in some circumstances, it may be difficult to sell it at any price. Do not invest in such investments unless you have carefully thought about whether you can afford it and whether it is right for you.

15. DEALING IN SECURITIES WHICH MAY BE SUBJECT TO STABILISATION

This statement complies with the FCA Rules.

Our representatives, may from time to time carry out transactions on your behalf where the price may have been influenced by measures taken to stabilise it.

You should read the explanation below carefully. This is designed to help you judge whether you wish your funds to be invested at all in such securities and, if you do, whether you wish:

- a) to be consulted before we carry out any such transaction on your behalf. Or
- b) to authorise us to carry out any such transaction on your behalf without first having to consult you.

What is Stabilisation?

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.

Stabilisation is being carried out by a 'stabilisation manager' (normally the firm chiefly responsible for bringing a new issue to market). As long as the stabilising manager follows a strict set of rules, he is entitled to buy back securities that were previously sold to investors or allotted to institutions, which have

decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.

The Stabilisation rules:

- a) limit the period when a stabilising manager may stabilise a new issue;
- b) fix the price at which he may stabilise (in the case of shares and warrants but not bonds); and
- c) require him to disclose that he may be stabilising but not that he 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, or of the price at which they are prepared to buy the securities.

16. LISTED SECURITIES WHERE GEARING IS INVOLVED

In relation to listed securities where gearing is involved, the gearing strategy used by the issuer may result in movements in the price of the securities being more volatile than the movements in the price of the underlying investments. Your investment may be subject to sudden and large falls in value and you may get back nothing at all if there is a sufficiently large fall in your investment.

17. TRADING FACILITIES

Most openoutcry and electronic trading facilities are supported by computerbased component systems for the orderrouting, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Such limits may vary: you should ask the firm with which you deal for details in this respect.

18. ELECTRONIC TRADING

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake Transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions, is not executed at all and a lack of capability to keep you informed continuously about your positions and fulfilment of the Margin Requirements.

PART 2. INVESTMENT RISKS OF INVESTING IN COMPLEX FINANCIAL INSTRUMENTS.

See also ESMA Standardised Risk Warning on our website at <https://www.terafx.co.uk/>, which include an up-to-date Tera-specific loss percentage based on a calculation of the percentage of CFD trading accounts provided to retail clients by us that lost money. The calculation are performed every three months and cover the 12-month period preceding the date on which it is performed ('12-month calculation period').

See also ESMA Standardised Risk Warning on our website, which include an up-to-date Tera-specific loss percentage based on a calculation of the percentage of CFD trading accounts provided to retail clients by

us that lost money. The calculation are performed every three months and cover the 12-month period preceding the date on which it is performed ('12-month calculation period').

This notice is provided to you in compliance with FCA Rules. This notice does not disclose all of the risks and other significant aspects of derivatives products such as futures and options. **You should not deal in derivatives unless you understand the nature of the contract you are entering into and the extent of your exposure to risk. You should also be satisfied that the contract is suitable for you in the light of your circumstances and financial position.**

Different derivative instruments involve different levels of exposure to risk, and in deciding whether to trade in such instruments you should be aware of the following points:

- (a) *Contracts for Difference (CFD)* can be likened to futures which can be entered into in relation to Currency. However unlike other futures and options, these contracts can only be settled in cash. Investing in a CFD carries risks similar to investing in a future or an option and you should be aware of these. Transactions in CFD may also have a contingent liability and you should be aware of the implications of this as set out in paragraph (c) below.
- (b) *Investing in Rolling Spot Forex/ FX CFD* carries similar risks as investing in futures and you should be aware of these. Transactions in Rolling Spot Forex/ FX CFD may also have a contingent liability and you should be aware of the implications of this as set out in paragraph (d) below. In addition to standard industry disclosures contained in these Terms, you should be aware that **currency trading is some of the riskiest form of investment available in the financial markets and is only suitable for sophisticated individuals and institutions. Given the possibility of losing an entire investment, speculation in the foreign exchange market should only be conducted with risk capital funds that if lost will not significantly affect your personal or institution's financial wellbeing.**

If you have pursued only conservative forms of investment in the past, you may wish to study currency trading further before continuing an investment of this nature. **You must also realise that the limited risk in making investments in Rolling Spot Forex/FX CFDs, CFDs, futures and options means you could lose the entire option investment should the option expire worthless.** If you wish to continue with your investment, you acknowledge that the funds you have committed are purely risk capital and loss of your Investment will not jeopardise your style of living nor will it detract from your future retirement program. Additionally, you fully understand the nature and risks of currency investments and your obligations to others will not be neglected should you suffer investment losses.

- (c) *Foreign markets.* Foreign markets involve different risks from UK markets. In some cases risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign currency will be affected by fluctuations in foreign exchange rates. Such enhanced risks include the risks of political or economic policy changes in a foreign media, which may substantially and permanently alter the conditions, terms, marketability or price of a foreign currency.
- (d) *Risk reducing orders or strategies.* The placing of certain orders (e.g. "stop loss" or "stop limits" orders) that are intended to limit losses to certain amounts may not, always be effected because market conditions or technological limitations may make it impossible

to execute such orders. Strategies using combinations of positions such as “spread” and “straddle” positions, may be just as risky as or even riskier than simple “long” or “short” positions.

- (e) *Prices.* The prices posted on the Trading System may not necessarily reflect the broader market. We will select closing prices to be used in determining Margin requirements and in periodically marking to market the positions in client accounts. Although we expect that these prices will be reasonably related to those available on what is known as the interbank market, prices we use may vary from those available to banks and other participants in the interbank market. Consequently, we may exercise considerable discretion in setting margin requirements and collecting margin funds.
- (f) *Weekend risk.* Various situations, developments or events may arise over a weekend (Friday 20.00 GMT - Sunday 18.00 GMT) when the currency markets generally close for trading, that may cause the currency markets to open at a significantly different price from where they closed or Friday afternoon. Our clients will not be able to use the Trading System to place or change orders over the weekend and at other times when the markets are generally closed. There is a substantial risk that stop-loss orders left to protect open positions held over the weekend will be executed at levels significantly worse than their specified price.
- (g) *Electronic trading.* Trading in OTC contracts through the Trading System may differ from trading on other electronic trading systems as well as from trading in a conventional or open market. Clients that trade on an electronic trading system are exposed to risks associated with the system including the failure of hardware and software and system down time, with respect to the Trading System, the individual client’s systems, and the communications infrastructure (for example the internet) connecting the platform with clients.
- (h) *Contingent liability transactions,* which are margined, require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately. You may sustain a total loss of the Margin you deposit with us to establish or maintain 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. you however being a retail client will have NB protection on as per account basis and will not be liable for any resulting deficit. Even if the 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 paid when you entered into the contract. Contingent liability transactions, which are not traded on or under the rules of a recognised or designated investment exchange, may expose you to substantially greater risks.
- (i) *Collateral.* If you deposit collateral as security, you should ascertain how your collateral will be dealt with. 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.

- (j) *Commissions.* Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but for example, as a dealing spread), you should obtain a clear written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms.
- (k) *Insolvency.* Any insolvency or default may lead to positions being liquidated or closed out without your consent. In certain circumstances you may not get back the actual assets which you lodged as collateral and you may have to accept any available payment in cash.
- (l) *You should* only engage in CFD, Rolling Spot Forex/ FX CFD, futures or options trading if you are prepared to accept a high degree of risk and in particular the risks outlined in this General Risk Disclosure Notice. You must be prepared to sustain the total loss of all amounts you may have deposited with us, for professional clients losses can exceed deposits on marginal/leveraged products.

We intend to rely on this Information Notice. For your own benefit and protection, you should read this Information Notice carefully before agreeing to it. If you do not understand any point, please ask for further information or seek independent legal or financial advice. You hereby acknowledge and agree that you have read this Risk Warning Notice.

COMPLIANCE DEPARTMENT
Tera Europe Limited