

**CCBI GLOBAL MARKETS (UK) LIMITED**

**GENERAL DISCLOSURE STATEMENT FOR OTC  
TRANSACTIONS**

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## I. INTRODUCTION

We are providing you with this General Disclosure Statement for Transactions (“**General Disclosure Statement**”), which describes generally: (1) the material characteristics of a wide variety of Transactions (as defined below) that we may conduct with you; (2) the material risks of such Transactions; and (3) the risk of title transfer collateral arrangements. In addition, we may provide you with additional disclosure statements for particular types of Transactions to supplement the information provided herein. This General Disclosure Statement should be read in conjunction with such disclosures.

**Please note that Transactions may give rise to significant risks and are intended primarily for knowledgeable and sophisticated parties who are willing to accept such risks and able to absorb the losses that may arise. Therefore, it is important that you or the person exercising discretion on your behalf understand these risks before entering into any Transactions, regardless of your level of prior experience in financial transactions or instruments.**

In this General Disclosure Statement and any supplemental disclosure statement that expressly refers to this General Disclosure Statement:

- “we”, “our”, “ours”, and “us” refer to the provider of this General Disclosure Statement and each affiliate that may conduct Transactions with you;
- “you”, “your” and “yours” refer to each of the persons to whom this General Disclosure Statement is delivered or addressed in connection with entering into, executing or agreeing upon the terms of Transactions with us, as indicated in any written or electronic transmittal of the same;

“MiFID II” means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU;

- “Transaction” means an OTC derivatives transaction entered into, executed or agreed between us that is a financial instrument as defined in Section C, Annex I of MiFID II;
- “Transaction Economics” means the value of a Transaction, its usefulness for your intended purpose, the timing or amount of payments or deliveries and, if applicable, the likelihood that you will be able to exercise any option rights;
- “Underlier” means any rate (including interest and foreign exchange rates), currency, commodity, security, instrument of indebtedness, index, quantitative measure, occurrence or non-occurrence of an event, or other financial or economic interest, or property of any kind, or any interest therein or based on the value thereof, in or by reference to which any payment or delivery under a Transaction is to be made or determined;
- the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”; and
- the phrase “otherwise agreed” shall be deemed to be followed by the phrase “expressly in writing”.

You should not construe the content of this General Disclosure Statement as legal, financial, tax, accounting or other advice. More generally, unless expressly agreed in writing, we are not providing you with legal, financial, tax, accounting, or other advice in connection with any Transactions or any Underliers, and you should consult your own legal advisor, financial advisor, tax advisor or accountant as to legal, financial, tax, accounting and related matters concerning any Transactions, including the impact on your business and the requirements and results of conducting Transactions.

Before entering into any Transaction, you (or any agent you employ for such purpose) should conduct a thorough and independent evaluation of the terms of the Transaction in light of your particular circumstances and the nature and extent of your exposure to risk. You should also consider whether the Transaction is appropriate for you in light of your experience, objectives, financial and operational resources and other relevant circumstances.

Nothing in this general disclosure statement amends or supersedes the express terms of any transaction between you and us or any related governing documentation. Accordingly, descriptions in this General Disclosure Statement of the operation of Transactions and the consequences of various events governing documentation (whether or not such qualification is expressly stated) are in all cases subject to the actual terms of a Transaction executed between you and us and its governing documentation (whether or not such qualification is expressly stated).

## **II. GENERAL CHARACTERISTICS**

### **A. Arm's length contractual counterparty to Transactions**

Unless otherwise agreed, we are acting in the capacity of an arm's length contractual counterparty to you in connection with the Transaction and do not undertake to act as your financial or other advisor, agent, representative, or fiduciary. Accordingly, unless we have agreed to act in one of the foregoing roles you should:

- not regard any Transaction proposals, suggestions or other written or oral communications from us as advice or a recommendation or otherwise as expressing our view as to whether a Transaction is appropriate for you or meets your financial or other objectives;
- determine whether you have the necessary information to understand the terms and risks of a Transaction and the legal, tax and accounting requirements and results of entering into the Transaction; and
- assume we have an economic incentive to be a counterparty to any Transaction with you.

We and/or our affiliates may engage in business with you in capacities other than as counterparty to Transactions. Such other capacities might include acting as your broker in executing orders for futures contracts, providing clearing or custody services, acting as a lender, or any of the other relevant capacities in which we or an affiliate may act in financial or commercial markets.

There are important differences in the nature of our relationship when we act as counterparty to Transactions, as distinguished from the various other capacities in which we or our affiliates may act. As counterparty to Transactions, we enter into the Transactions as principal, and our interests are directly adverse to yours when we negotiate the terms of a Transaction or related documentation, or make determinations or exercise our rights thereunder. We or an affiliate may also act as your counterparty in contractual arrangements that are not Transactions. In such cases, other applicable laws, regulations, internal policies or procedures, or rules of a self-regulatory organisation may govern matters such as the handling and execution of orders, standards of care, disclosure of information, conflicts of interest, fees and compensation or the segregation and control of assets held for safekeeping on your behalf. The duties and standards to which we or an affiliate are subject when acting in such other capacities may differ materially from those that apply when we act as counterparty to Transactions, and may (or may not) afford greater protections to you.

### **B. You should review carefully each Transaction's particular structure, including any terms incorporated by reference**

Transactions result from agreements between two "counterparties" and generally involve an exchange or a series of exchanges of payments or deliveries, which may be calculated by reference to a notional or principal amount or quantity and a price, value, level or rate of return of one or more Underliers. Transactions may be structured in various forms including, but not limited to, forwards, swaps, options and swaptions, as well as combinations of these components with other components and non-derivative products. You should be aware that there is risk associated with each component of a multi-component Transaction, as well as with the Transaction as a whole.

The confirmation or other communication evidencing a Transaction, or a governing master agreement, may incorporate by reference various standard definitions, annexes and supplements thereto, which may in turn be amended or customised pursuant to the terms of a Transaction and its governing documentation. In the case of Transactions executed between us that are accepted for clearing (“**cleared Transactions**”), the rules, by-laws and procedures of the clearing house will govern the cleared Transaction and define its terms. Under certain circumstances, the specifications of outstanding cleared Transactions (such as the exercise price of an option) may be modified by the clearing house to reflect changes in the Underlier. Before entering into any Transaction, you should obtain and review carefully any such materials incorporated by reference and, in the case of cleared Transactions, the disclosures provided by your clearing member and the relevant clearing houses, as well as the applicable clearing house rules, by-laws and procedures, as their content could materially affect your rights and obligations under the Transaction, its value and its appropriateness for your particular objectives.

**C. Transactions generally involve a variety of risks**

The specific risks presented by a particular Transaction necessarily depend upon the terms of the Transaction and your circumstances. In general, however, all Transactions involve one or more of the following risks — credit risk, market risk, liquidity risk, funding risk, operational risk, legal and documentation risk and/or regulatory risk. Each of these risks is discussed below in Section III of this General Disclosure Statement. The structures of the Transactions are frequently customised by the parties to accomplish specific financial, tax, accounting, or asset, liability or risk management objectives, and the resulting risks of each Transaction necessarily depend upon the terms of the Transaction and your present and future circumstances. There can be no assurances that these objectives will be met.

**D. Value of the Transactions is derived from one or more Underliers and other market and economic factors**

Depending upon the nature of the Transactions, payments and/or deliveries under the Transactions may be calculated by reference to one or more Underliers and may arise upon the occurrence of certain events or circumstances, the satisfaction of certain conditions, or the exercise of certain rights. The value of Transactions may depend on prices, values, or levels of the Underliers and other market and economic factors.

The prices, values, or levels of an Underlier are determined in the market for that Underlier. You should be aware that each market for an Underlier has its own particular characteristics and risks, including, to the extent applicable, the market’s institutional structure, trading rules, market practices, liquidity, governance, regulation (or lack thereof) and participants. The terms of a Transaction may refer to such features and allocate or otherwise provide for associated risks. Alternatively, there may be known or anticipated eventualities that could affect a market that are not provided for in the terms of a Transaction or its governing documentation. Before you enter into any Transaction, you should review the publicly available information regarding the market characteristics and risks pertaining to the relevant Underliers, review all the disclosures we have provided that are relevant to Transactions in such Underliers, and (as you may deem appropriate) consult advisors with specific expertise regarding the markets for such Underliers and the Transaction.

Neither we nor you can predict the future performance of an Underlier based on historical performance. The price, value, or level of the Underlier over the term of a Transaction may bear little or no relation to the historical price, value, or level of the Underlier. Prior observed patterns, if any, in the behavior of market variables, such as correlations, may change in the future. In addition, the source or method of determining the price, value, or level of the Underlier as may be provided in the governing documentation may be subject to market factors or may change or cease to be available during the term of a Transaction. Such matters may or may not be addressed in the governing documentation.

For certain Transactions, the prices, values, or levels of the Underliers may be denominated in currencies other than the settlement or payment currency and may be converted to the settlement or payment currency for purposes of determining payments or deliveries to be made under the Transactions. Such Transactions will be exposed to currency exchange rate risk with respect to each of the currencies in which an Underlier or obligation is denominated. Your net exposure to this risk will depend on the extent to which the currencies of the Underliers for a relevant Transaction strengthen or weaken against the settlement currency or one another. The Transaction may provide for allocation of this risk between the parties. Fluctuations in the currencies of the Underliers may adversely impact the values of the Transactions and the payments or deliveries to be made or received thereunder.

**E. Entering into a Transaction is not equivalent to investment in or ownership of the Underlier**

Unless specifically provided for in the terms of a Transaction or governing documentation, a Transaction will not confer ownership rights or any beneficial or legal interest in any Underlier, including without limitation any stock, fund, partnership interest, note, bond, security, loan or other instrument of indebtedness, foreign exchange rate, currency, commodity, futures contract, or other asset, index or financial measure underlying a Transaction or underlying an index that is the Underlier for a Transaction.

**F. The economic return of a Transaction may not be the same as the return from the Underlier**

The mathematical relationship between the payments and deliveries under a Transaction and the price, level or value of the Underliers will be specified under each Transaction or its governing documentation, and in general there is no reason to expect that the economic return of a Transaction will be equivalent to, or correlated to that of an investment in the Underlier. Even if a Transaction is a total return swap, contract for differences, credit default swap, or similar instrument that you have entered into for the purpose of obtaining the equivalent of a long or short position in or exposure to an Underlier, the economic return of the Transaction may not be the same as the return from the Underlier. Such divergences may occur due to a variety of factors, including:

- Payments or deliveries under a Transaction may be determined based on the prices, values, or levels of the Underlier only at specified observation or valuation times;
- The Transaction may apply interim compounding to rates of return observed for the Underlier over shorter periods than the term of the Transaction;

- The Transaction terms may include or reflect an adjustment for fees or commissions, financing charges, hedging costs or breakage costs;
- The tax or accounting treatment, and the legal, tax and accounting requirements and results, of the Transaction may differ significantly from owning the Underlier;
- The Transaction may not provide the same rights to unwind or transfer the Transaction as direct ownership of the Underlier would allow in deciding when and how to dispose of the Underlier;
- The price source or valuation methodology under the Transaction may yield a different value than would be realised by disposing of the Underlier in financial or physical markets for such Underlier;
- The Transaction may include optionality, cancellation, “barrier,” leverage or other similar features that may give disproportionate effect to changes in prices, values, or levels or other factors; and/or
- The Transaction may contain terms providing for adjustments, early termination or cancellation due to corporate events, disruption of ability to hedge in relevant markets, changes in law or other extraordinary events.

Accordingly, changes in prices, values, or levels of an Underlier may not result in a comparable payment or delivery under, or change in the value of, the Transaction. If the price, value, or level of the Underlier for a Transaction has increased on any day, the value of the Transaction on such day may not increase comparably, if at all. Such changes in value may vary throughout the day and differ based on the time of valuation. It is also possible for the price, value, or level of an Underlier to increase while the value of the Transaction declines and exposes you to substantial economic losses.

A Transaction and related Underlier may be priced in separate markets, and the values of the Transaction and Underlier may diverge for significant periods or indefinitely. Also, models used to value Transactions, including methodologies, assumptions and inputs to those models, may change, which could cause a change to the value attributable to the Transaction without necessarily affecting the value of the Underlier.

#### **G. No assurance of Transactions providing you with a desired return or result**

Unless the terms of the Transaction expressly guarantee a stated return, there is no assurance that a Transaction will provide you with a positive or anticipated return or achieve your objectives. It is impossible to predict whether and the extent to which the underlying rates, prices, assets, indices, or other Underliers relevant to a particular Transactions will rise or fall. The levels or performance of relevant rates, prices, assets, indices, or other Underliers may be influenced by complex and interrelated political, economic, financial and other factors.

You should be willing to accept the risk of exposure to the levels or performance of such rates, prices, assets, indices, or other Underliers and the risk of suffering substantial economic losses from or in connection with the Transactions, which may require you to make a payment to us. Even if the Transactions provide you with a positive or anticipated return, the return on the Transactions may be inferior to returns available in connection with other Transactions that you

could have entered into or other arrangements that you could have made, including owning the Underliers.

#### **H. No assurance of Transactions achieving your desired hedging objectives**

In some cases, you may enter into Transactions to hedge, reduce or otherwise manage price or other risks to which you or your affiliates are exposed through owning an asset, owing a liability or being a party to other transactions or anticipated transactions. There may be imperfect correlation (sometimes referred to as “basis risk”) between changes in the value of a Transaction and the particular exposures you wish to hedge, and the amount of basis risk may increase over time. You may also be exposed to risk as a result of differences in legal documentation between a Transaction and the particular exposure you wish to hedge, including differences in how the Underlier is defined under the hedged item and the definition applicable to the Transaction, or as a result of differences in the dates or times as of which prices, values or levels are to be determined for the hedged item versus the Transaction.

In addition, the notional amount of a Transaction may not remain matched to the amount of exposure you wish to hedge, as would be the case, for example, if an anticipated investment, purchase, sale, acquisition, disposition or other transaction does not occur. Unless otherwise agreed, we have no obligation to terminate or modify any Transaction in response to these or other changes in your circumstances or to accommodate your hedging strategies or needs. You should carefully review the risks of entering into a Transaction before you acquire an asset, liability or other item to be hedged and the risks of any prepayment, liquidation or other disposition of an asset, liability or other hedged item before the Transaction matures.

Hedging entails economic costs reflected in the pricing of Transactions, which can be significant. Although a hedge Transaction may be structured such that no upfront purchase price is payable, you should understand that significant potential amounts could become payable for modifying the Transaction or terminating it early, depending upon then existing market conditions.

#### **I. Termination of Transactions**

Under the relevant governing documentation, a Transaction and potentially our entire relationship may be subject to early termination upon the occurrence of events that may be characterised as “events of default” or “termination events” (some examples of which might include failures to pay, insolvency, force majeure or illegality) in relation to you, us, and/or any guarantor or other credit support provider. Certain Transactions may also be subject to early termination upon the occurrence of extraordinary events specified in the terms of such Transactions or governing documentation (some examples of which might include disruption of our ability to hedge due to, among other things, illegality resulting from a change in law or a material increase in the cost of hedging as a result of taxes, duties, expenses or fees in connection with such hedging; cancellation or modification of an index Underlier; or market disruption), or may provide an optional early termination right for one or both of the parties. The event or events giving rise to a right of termination may be outside your control and may occur at a time when the price, level or value of the Underlier, or the value of the Transaction otherwise, is such that you would owe a substantial termination payment. You may owe this termination payment even if we are the defaulting party. Additionally, if the Transaction terminates early, you may not be able to establish, or may incur costs in establishing, a replacement for the Transaction.

We have no obligation to consider your interests in determining whether or when to terminate the Transactions following one of these or other events that entitle us to terminate Transactions. Termination and the corresponding determination of a termination amount could occur at a time when the relevant markets are volatile, illiquid or not functioning in accordance with normal market conditions.

If we determine an early termination amount, we may take into account, subject to the terms of the Transaction and other governing documentation, our and your creditworthiness, our funding costs, hedging or hedge unwind costs (which may include costs related to the failure of a custodian or hedge counterparty), loss of bargain, relevant documentation terms, market data from internal sources and other factors. Such determinations may involve subjective judgment and uncertainty, which may adversely affect the Transaction Economics. Termination amounts may differ significantly from daily marks, market values or values used for collateral requirements.

### **III. MATERIAL RISKS**

#### **A. Transactions are subject to market risk**

Market risk is the risk that the value of a Transaction, or the amount of payments or deliveries to be made under a Transaction, will be adversely affected by fluctuations in the level or volatility of, or correlation or relationship between, one or more market prices, rates or indices or other market factors, by new information related to an Underlier or changes in perceptions regarding contingencies affecting an Underlier, or by illiquidity in the market for the Underlier or the Transaction or in a related market.

Depending on the terms of a specific Transaction, its value may be affected by multiple factors in addition to the prices, values, or levels of the Underliers, including:

- actual and/or expected volatilities (i.e., the frequency and magnitude of changes) in the prices, values, or levels of the Underliers;
- correlation (i.e., the tendency to move together in the same or opposite directions) of the prices, values, or levels of the Underliers;
- market interest rates, currency exchange rates, forward rates and yield and forward price curves;
- dividend rates, expected dividend rates and corporate events relating to Underliers, if applicable;
- liquidity in the markets for Transactions and Underliers or in related markets;
- the term of the Transaction;
- optionality that a party has under the terms of a Transaction and its governing documentation, including but not limited to optional early termination rights or rights to choose which particular securities, commodities, currencies, or other assets it may deliver in satisfaction of an obligation;
- the terms of collateral or other credit support arrangements, including whether a party is permitted to re-use collateral and has the right to choose the composition of the credit support it is required to deliver;
- in the case of cleared Transactions, the clearing house's margining methodology, including its method, if any, of adjusting for interest on cumulative variation margin;
- actions of government, regulatory and tax authorities; and
- our creditworthiness or your creditworthiness, whether actual or perceived, including actual or anticipated upgrades or downgrades in a party's credit ratings.

The market risk of a Transaction may be accentuated by complex payout calculations or other features. Transactions with such features may be subject to significant changes in value as a result of relatively small changes in the price, value, or level of an Underlier or other market factors. Such features include leverage, multipliers, option-like payouts, non-linear dependence on an underlying price, value, or level, or dependence on the path of an underlying price, value, or level.

Transactions with such features may include caps, collars, floors, exotic options, Transactions with knock-in or knock-out rights, or range accrual swaps and options.

Furthermore, inflation may also reduce the value of any payments that you receive under a Transaction compared to your expectations when entering into the Transaction.

## **B. Transactions involve liquidity risk**

Liquidity risk is the risk that a party may be unable to, or may have limited ability to, unwind or transfer a particular position in a timely manner at or near the market price or at all. Liquidity risk may vary greatly depending upon the terms of the Transaction, including, for example, notional amounts, rates, collateralisation, highly customised features and other market sensitive terms.

In evaluating this risk in the context of Transactions, you should consider that a Transaction may be terminated or modified only pursuant to the terms of the Transaction or by mutual agreement of the parties. Similarly, any novation or other transfer of a Transaction may be made only pursuant to the terms of the Transaction or with the consent of the remaining party and, in either case, on terms agreed between the transferor and transferee. If our consent is required, we may not consent for a variety of reasons, which we may not be required to disclose to you.

Even though market-makers and dealers are likely to quote prices or terms for entering into or terminating particular Transactions and to provide indicative prices or mid-market valuations for outstanding Transactions, there can be no assurance that another dealer will be available and willing to accept as transferee your rights and obligations under any Transaction between us, or that we would consent to such transfer. Even though market liquidity may exist generally for a particular type of uncleared Transaction at the time you enter into the Transaction, such liquidity may be diminished or unavailable in the future as more Transactions become cleared. Market liquidity for a type of Transaction may also be adversely affected by the development of updated or new industry standard terms, their adoption by market participants (including through amendments to outstanding Transactions via industry protocols) and the migration of trading interest to such new or updated standard terms.

There is no assurance that another dealer or market participant will be available and willing to offer you transactions that offset your Transactions with us. If an offsetting transaction is available, but is an uncleared Transaction, then engaging in such an offsetting transaction (whether bilaterally or through a swap execution facility) will not automatically close out your Transaction with us (as might occur in the case of cleared transactions cleared by the same clearing member) and may not function as an effective hedge for that Transaction. Accordingly, it may not be possible for you to modify, terminate or offset your obligations or your exposure to the risks associated with a particular Transaction prior to its scheduled termination date.

In contrast, liquidity risk may be mitigated to a degree when a Transaction is cleared on a derivatives clearing organisation or other clearing house, insofar as your ability to close out your Transaction by entering into an offsetting transaction with other market participants would not require our consent or an existing trading relationship between us and that other market participant. However, there can be no assurance that the level of liquidity for a cleared Transaction you enter into will continue to exist. Your ability to clear Transactions on a derivatives clearing organisation or other clearing house in the future will depend upon a variety of factors, including the willingness of clearing members to offer you clearing services, which

could depend, among other things, on the level of your creditworthiness and your ability to meet margin calls.

**C. Engaging in Transactions may subject you to funding risk**

Funding risk is the risk that, as a result of the unpredictability of payment or delivery obligations or margin (collateral) requirements under Transactions, or mismatches or delays in the timing of cash flows due from or to a party pursuant to Transactions or related hedging, trading, collateral or other transactions or activities, a party may not have adequate cash available to fund current obligations.

For example, if you are required to post margin (collateral) and the market moves against your position or the required level of margin is increased by us or, in the case of a cleared Transaction, by a clearing house or your clearing member, you could be called upon to post additional margin (collateral) within applicable notice periods (which may be short) in order to maintain your position, subject in each case to the terms of the Transaction and other governing documentation. If you do not make a required payment or delivery under a Transaction or provide the additional required funds to meet a margin call within the prescribed time (taking into account any applicable notice requirements and grace periods), the governing documentation may provide that the Transaction and possibly your entire relationship with us may be terminated, potentially requiring a termination payment by you.

Depending upon your other arrangements with us or with your other creditors, such failure to comply or such termination may also trigger cross-default provisions in these other arrangements, which may provide us or your other creditors with rights to accelerate or terminate these other arrangements, possibly increasing your funding risk to the extent you are required to make additional payments or deliveries.

**D. Credit risk of counterparty (and any applicable guarantors or credit support providers), prime broker, clearing member or clearing house**

Credit risk is the risk that a party to a Transaction or, if applicable, a party's guarantor or credit support provider, will fail to perform its obligations when due, including its obligations to return collateral which it is no longer entitled to hold, or that the amount of collateral provided by that party or its credit support provider proves insufficient. Because of this credit risk, our and your creditworthiness and that of our and your guarantor or other credit support provider, if any, is a material consideration in entering into or determining the terms of a Transaction, and has an impact on the pricing, costs or credit enhancement of the Transaction. A party's exposure to credit risk, if so agreed, may be reduced by the delivery to it or to its custodian of collateral to secure the obligations of the other party or its guarantor or credit support provider, and the other party's exposure to credit risk for the return of such collateral may be reduced by delivering such collateral to such custodian to be held under mutually acceptable custodial arrangements, subject to the credit risk of the custodian as discussed below. Unless otherwise expressly agreed in writing or required by applicable law, neither your counterparty nor any guarantor or credit support provider for your counterparty will have any obligation to deliver collateral in connection with the Transactions.

For some Transactions, our role may be solely that of an executing broker (i.e., we and you may agree upon the terms of Transactions for give-up to a different entity that acts as your clearing

member). We refer to such Transactions, if accepted by the designated clearing house, as “**cleared Transactions**”. The consequences of a Transaction not being accepted by a clearing member or clearing house will be governed by applicable law and the terms of any agreement between you and us. You should be aware that an agreement on the terms of a Transaction for give-up or clearing that is not accepted by the clearing member or clearing house might result in there not being an outstanding Transaction between you and us, although governing documentation or applicable law may provide for the payment of compensation amounts to us in such circumstances.

With respect to cleared Transactions, you will have exposure to the credit and operational risks of your clearing member and the clearing house. Applicable law and clearing house rules may provide some protection from the credit and operational risks of your clearing member for funds that you have deposited or earned with respect to cleared Transactions. You should familiarise yourself with these protections, particularly in the event of the insolvency or bankruptcy of your clearing member. The extent to which you may be able to recover your funds or property in the event of the insolvency of your clearing member will depend on, among other factors, the following features of applicable laws, regulations, rules and security arrangements:

- requirements, if any, to segregate your funds from those of the clearing member and its other customers;
- restrictions, if any, on the use of such funds by the clearing house and other depositories, including whether the funds may be used to satisfy obligations owed by the clearing member or its other customers;
- whether applicable arrangements confer a beneficial, security or other interest in property held by or due from the clearing house, or property under the control of the clearing member;
- the priority of your claim to such property relative to other customers, the clearing house and general creditors of the clearing member; and
- arrangements, if any, for, and legal restrictions on, the portability of Transactions and associated collateral.

You should be aware that for cleared Transactions you may not have the ability to instruct the clearing house regarding the disposition of your Transactions or funds, and that upon a clearing member’s default, the clearing house will deal with your funds and Transactions in accordance with its default management procedures, which may include the ability to terminate all cleared Transactions.

Once a Transaction is accepted for clearing and becomes a cleared Transaction, none of your executing broker, your named counterparty (if there was a prior outstanding Transaction that was novated to the clearing house), or any of their respective guarantors or other credit support providers, if any, will have any further contractual obligation to you with respect to such Transaction, unless otherwise agreed.

Upon entering into any Transaction with your named counterparty, your ability to subsequently clear such Transaction on a clearing house or to novate your position in an uncleared Transaction to another dealer or market participant, and the cost thereof to you or the value you may receive in connection with any such novation, may be influenced by the creditworthiness of your named

counterparty and, if applicable, any guarantor or other credit support provider for your named counterparty. Your ability to clear or novate a Transaction may be materially adversely impaired if one or more clearing houses, clearing members, dealers or other market participants, as the case may be, refuse to extend credit to your named counterparty (whether on a secured or margined basis or otherwise), or if credit limits, position limits, or other limits for your named counterparty (including any guarantor or other credit support provider, if applicable) would be exceeded.

**E. Collateral delivered to a third party custodian is subject to that custodian's credit and operational risk**

If you or any guarantor or credit support provider posts collateral in connection with the Transactions that is held in an account at a third-party custodian, the return of such collateral is subject to the credit and operational risks of that third-party custodian, risks which the terms of the Transactions and other governing documentation may (or may not) have expressly allocated between the parties. If such third-party custodian were to default in its obligations to return that collateral when due, you (or, if applicable, your guarantor or credit support provider) could suffer substantial economic losses.

Similar risks, and considerations regarding their allocation, apply if your named counterparty or any guarantor or credit support provider for your named counterparty agrees to post collateral to you in connection with the Transactions that is to be held at a third-party custodian. Your ability to realise that collateral is subject to the credit and operational risks of that third-party custodian, and you could suffer substantial economic losses if that custodian breaches its custodial obligations. You also will be exposed to the credit risk of any issuer or obligor of any instrument comprising such collateral.

Regardless of which party may be delivering collateral, if the third party custodian takes action to resolve uncertainty regarding its duties with respect to the disposition of the collateral, or otherwise fails to act in a timely manner, there could be significant delays in obtaining the return of your collateral or in your ability to realise the collateral.

**F. Operational risks related to Transactions may result in losses**

Operational risk is the risk of loss to a party arising from inadequacies in, or failures of, processes, procedures, systems and/or controls for conducting Transactions, including (i) recording, monitoring and quantifying the risks and contractual obligations associated with Transactions, (ii) recording and valuing Transactions and related transactions, (iii) making payments or deliveries, (iv) exercising rights before they expire, including option exercise rights, in a manner that complies with the terms of the relevant Transactions, (v) meeting regulatory filing, reporting and other requirements, and (vi) detecting human error or systems failures, including disaster recovery procedures.

Losses from operational risks can be substantial, including the loss of the entire value of a Transaction, which may be the case, for example, if an unexercised option expires in-the-money to you. The extent of your exposure to losses from the operational risks of parties not under your control may be determined, in part, by applicable law and/or contractual provisions that allocate or limit liability.

**G. Transactions may involve legal and documentation risks**

Legal and documentation risks include the risks that Transactions or related arrangements may not be legally enforceable, or that their documentation does not correctly reflect a party's understanding. As a result, disputes could arise as to the enforceability of Transactions or related documentation or the intended meaning of documentation terms, or ambiguous terms could be construed by a court or arbitrator in a manner that is materially adverse to a party's expectations. Changing documentation practices, including as a result of the development of new or updated industry standard terms, and their possible non-uniform adoption by market participants, may give rise to documentation basis risk (i.e., the risk that Transactions that are intended to be economically similar may behave differently in certain circumstances due to their incorporation of different documentation terms). Accordingly, parties should monitor evolving documentation practices and be alert to the possibility that new documentation terms may be incorporated through bilateral documentation, industry protocols, or changes in the rules of a confirmation service or trading facility. An industry protocol is typically a multilateral contractual amendment mechanism that allows for various standardised amendments to be made to the relevant existing agreements between any two parties who choose to adhere to the protocol. Industry protocols require adherence on the part of *both* parties to existing agreements in order for the protocol to apply to the parties' documentation.

The terms of a Transaction may contain new or unique features that may not be fully understood or standard in the market at the time you enter into the Transaction or may no longer be part of the standard terms of a Transaction as the standards evolve. Such features and evolving standards may expose you to various risks, including litigation risk, basis risk and liquidity risk with respect to your Transaction.

Legal risks also include the risks that Transactions, or activities associated with Transactions, conflict with or violate applicable law (including bankruptcy laws) or the provisions of other contracts or instruments, potentially subjecting a party to lawsuits, regulatory proceedings, legal or equitable remedies and/or sanctions.

In the event that your named counterparty to the Transactions or, if applicable, its guarantor or other credit support provider, becomes subject to an insolvency proceeding, the laws governing the insolvency proceeding will have an important bearing on your rights, obligations, remedies and claims under the Transactions. Although applicable insolvency laws may contain protections for certain contractual rights with respect to qualifying financial contracts, the consequences of our insolvency for you will depend on various factors, including our and your regulatory status, specific applicable law, the characteristics of the Transactions, the terms of any master agreements and credit support arrangements governing the Transactions, the manner in which a court or bankruptcy official exercises its statutory or equitable powers (including, where applicable, to assign or repudiate contracts), and the existence in some jurisdictions or regulatory regimes of mandatory waiting periods to allow contracts to be transferred or assumed before termination rights may be exercised.

If a third party custodian holding your collateral becomes subject to an insolvency proceeding, your ability to recover your collateral will depend on similar factors, including the applicable insolvency regime, whether the custodian has maintained sufficient unencumbered assets to

satisfy claims of other custodial customers for which it holds assets of the same type as the assets included in your collateral, the legal characterisation of your relationship with the custodian and the relative priorities and claim amounts of other claimants. Your claim for the return of cash collateral from the third-party custodian may be that of an unsecured creditor. The protections, if any, afforded to uncleared Transactions and to collateral that you have delivered to us to secure your obligations in connection with uncleared Transactions may differ from those applicable to transactions cleared through a clearing house. In particular, you should be aware that if the governing documentation for uncleared Transactions effects an outright transfer of title in the collateral to us or permits us to re-use or rehypothecate the collateral, you may lose your proprietary interest in the collateral and have only an unsecured claim for the return of the collateral value remaining after its application to satisfy your obligations to us. Unless otherwise provided by law, you should assume that delivered cash and other collateral is not insured by any government or governmental agency.

#### **H. It may be difficult or impossible to establish the value of some Transactions**

The price and characteristics of a Transaction are individually negotiated between the parties. Because Transactions may not be standardised or publicly traded, their value at any time may not be precisely ascertainable or even well defined. Our pricing models may differ from those of other dealers and may arrive at different values. The assumptions and theoretical analyses underlying a pricing model may prove to be incorrect, and the observable market inputs used in the model, which we may obtain from third party sources, may not be representative of current market conditions. We make no representations or warranties regarding the accuracy of information from third party sources. Reported prices for similar transactions, even if they are available, may not be directly comparable due to differences in transaction size, credit or collateral terms or other particular features that may not be ascertainable from the information reported. Consequently, it may be difficult for you to establish an independent value for an outstanding Transaction.

You should not regard the daily or pre-trade mid-market mark or any other indicative quotation that we provide to be an offer to enter into or terminate the relevant Transaction at that value or price, unless we identify that value or price as firm or binding with respect to a specific quantity or notional amount of the Transaction. Indicative valuations that we provide to you may differ from those used to determine your collateral or margin delivery obligations or from the prices at which we record Transactions on our books and records. We make no representations or warranties that any such prices, values or valuations are suitable for complying with any financial or tax reporting obligation, determining net asset value, computing any tax liability or any other purpose and, except as otherwise agreed, we disclaim any liability for any such use or reliance thereon, whether losses or damages are direct, indirect, incidental or consequential, even if we are advised of their possibility.

#### **I. Legislative and regulatory risk**

As part of global efforts to stabilise and reform financial markets, changes in the regulation of entities which engage in Transactions have been considered, proposed, adopted, and/or implemented. For example, the European Markets Infrastructure Regulation (“EMIR”) and MiFID II establish a regulatory framework for Transactions that, among other matters, provides for the mandatory clearing and trading on regulated markets of certain derivatives, the reporting of certain transactions, additional transparency arrangements and the imposition of position limits.

It is anticipated that promulgation of new rules will be followed by periods in which the meaning and application of rules will be evolving. Further and unforeseeable changes may result. The regulatory changes and resulting requirements of the Dodd-Frank Act in the USA, EMIR, MiFID II, the Basel III framework and similar international reform efforts may limit or restrict, or increase the costs of, engaging in Transactions and related activities for us, you (e.g., the costs to you of obtaining and maintaining a legal entity identifier and complying with recordkeeping obligations, if applicable) and/or other market participants with which you may wish to transact.

These regulations could significantly increase compliance costs, cause significant and unexpected market disruptions, or adversely affect liquidity, valuations or volatility in the markets of Underliers. Any of these consequences could in turn adversely affect the Transaction Economics or, subject to the terms of the Transaction and other governing documentation, result in the termination of affected Transactions at unfavorable prices or values.

#### **J. Combination Transactions**

In some cases you may enter into two or more Transactions that are intended to operate in an integrated manner to achieve your desired objectives. Each Transaction may be documented, either separately or together within a single confirmation, as a combination of component Transactions, such as a collar documented as a put and a call, a tranching option consisting of component options with sequential expiration dates or Transactions entered into sequentially that are intended to operate in an interdependent manner. The Underliers of the component Transactions may be in different asset classes. You should review the terms of such combined Transactions and consider the possibility that termination events, disruption fallbacks, adjustments, extraordinary events and other important terms may not apply identically to all of the component Transactions; and that this may adversely affect the Transaction Economics of the combined Transaction. For example, if one of the component Transactions is a cleared Transaction, but the other component Transactions are not, then the cleared Transaction will be subject to the rules, by-laws and procedures of the applicable clearing house, which may lead to differences between the component Transactions that were not intended. Furthermore, when you seek to unwind the combined Transaction, you may have to unwind the component Transactions on different terms or at different times which may lead to a different combined payout than expected.

**IV. RISK OF TITLE TRANSFER COLLATERAL ARRANGEMENTS**

When you transfer money to us, or money is paid to us on your behalf, full ownership of the money is transferred to us for the purpose of securing or otherwise covering your obligations to us in respect of Transactions.

Accordingly, the UK Financial Conduct Authority's client money rules will not apply and you will not have a proprietary claim over that money, that money will not be held for you by us (whether in a segregated account or otherwise) and we may deal with it as our own.

In the event of our insolvency, you will only have an unsecured claim against us for repayment of that money, and that claim will be subject to the exercise by us of any set-off rights we may have.

Money transferred to us will be recorded by us as a cash repayment obligation owed by us to you.

We will transfer an equivalent amount of money back to you if, in our discretion, we consider that the amount of money you have transferred to us is more than is necessary to cover your obligations to us, subject to the exercise by us of any set-off rights we may have.