Information on the risks associated with financial instruments

Professional clients

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This document sets out the risks associated with transactions on some financial instruments negotiated by CACEIS Bank France on behalf of a client ("the Client"). This document is not intended to provide an exhaustive list of the risks to which Clients may be exposed as the beneficiary of an investment service offered by CACEIS Bank France or by investing in one of these products.
Clients must assess the appropriateness of the investment having regard to their knowledge, objectives and financial resources. CACEIS Bank France does not provide investment advisory and portfolio management services as these are defined in French law.

1. ***Shares***

A share is a security which represents a part of the capital of the issuer. Share prices may rise as well as fall. An investment in shares thus carries the risk that Clients may lose the capital invested. Share performance may be influenced by a series of risk factors outside of the control of the company concerned. Such factors include current or estimated future financial performance in the relevant sector, general conditions in the economy and in the market, and in particular, conditions in the market on which the company is listed.
There is an extra risk of financial lossfor investments in shares of small capitalisation companies, such as "penny shares". There may be a substantial difference between the buying and selling price of these shares. Clients could incur a loss if shares have to be sold immediately after purchase. Prices may fluctuate very quickly and can go up as well as down.
Before making a decision to invest in shares, Clients are advised to fully acquaint themselves with the settlement/delivery rules. They take full responsibility if transactions are not settled on the theoretical date of settlement/delivery (automatic buyback or buy-in procedures). On the Client's request, CACEIS Bank France can provide detailed information.

2. ***Bonds***

A bond is a security that represents the debt of an issuer to a private or public investor. Bonds are traded on an organised market or over the counter (purchase and sale) and may pay interest to the holder.
Uncertainty with respect to interest rate movements means that purchasers of fixed-rate bonds are subject to the risk of a drop in the price, if interest rates rise. The sensitivity of bonds to interest rate changes depends notably on the remaining term to maturity and the nominal rate.
The solvency of an issuer may change as a result of developments in the general economy or changes affecting the company and/or the sector in which the issuer operates during the term of the loan. A deterioration in an issuer's solvency can adversely affect the price of the financial instruments concerned.

3. *Undertakings for Collective Investment (UCITS or AIF - Alternative Investment Funds)*

An Undertaking for Collective Investment is an investment vehicle intended to hold and manage a portfolio of assets, on behalf of several investors, which is managed by a professional asset manager.
The units or shares in these funds are exposed to the risk of a fall in price. Such falls reflect a decline in the value of the securities, contracts or currencies that make up the fund's assets, all other things remaining equal. The net asset value of the fund will follow more or less closely —upwards or downwards—movements in the market for the instruments and currencies held in the portfolio.
Moreover, since the yield from investments in an investment fund depends, amongst others, on the ability of the managers and the quality of their decisions, assessment errors in the management of the fund may lead to losses or depreciations.
It is also important to pay close attention to the fund's liquidity, in terms of both the frequency of calculation of the net asset value and any conditions that apply to redemptions.

4. *Futures*

Futures transactions involve the obligation to make or to take delivery of the underlying asset to the contract at a future date, or, in some cases, to settle the position in cash.
The exposure to potential loss associated with futures can be extremely high. Hence Clients must make sure that this type of transaction is appropriate for their investment objectives and financial resources. The conditions for trading on futures markets allow investors to place limit orders and stop loss orders, or stop orders, which are intended to limit the potential amount of loss that might be sustained due to fluctuations in the market. However, the use of such orders does not guarantee that losses will be limited to the specific agreed amounts. Depending on market conditions, there is a risk that orders will not be executed at the intended time or prices, or that orders will not be executed at all.
Some market conditions make it difficult or even impossible for Clients to liquidate their position. This may occur for example when the market is suspended because it has reached its maximum price fluctuation limit.
Since futures contracts are often highly leveraged, a small deposit or margin can lead to large losses as well as gains. It also means that a relatively small movement in the market can have a proportionately much larger impact (favourable or unfavourable) on the value of the Client's investment.
Clients must understand the implications of commodities futures transactions, in particular with respect to margin requirements. Clients are exposed to the risk of losing all the assets deposited with their brokerage firm in order to establish or maintain a position in a market. They may lose this amount or more as a result of adverse developments in the market relative to the Client's position. New guarantees may be required within a very short period of time (sometimes during a trading session) to maintain the investor's position. If the investor does not respond to the margin guarantee calls within the required time frame, the position could be liquidated. Once liquidated, investors will be liable for any remaining deficit.

5. *Options*

There are many types of options. Their characteristics and the obligations arising from them may differ greatly. Hence:
Buying options: Buying options can carry less risk than selling. If fluctuations in the price of the underlying go against the buyer, he may allow the option to expire and in this case the maximum loss would be limited to the amount of the premium paid. Note however that there is also a risk related to the underlying. If the buyer purchases a call option on a futures

contract, for example, and exercises the option, he will be bound by a new futures contract and exposed to the attendant risks.

Selling options: Selling options are considerably riskier than buying options. Clients may have to respond to margin calls to maintain their positions and the potential loss may be far in excess of the amount of the premium received.
By selling an option, the seller undertakes to buy or to sell the underlying asset if the option is exercised at prices that could be very far from the market prices when the option was exercised.
It is important to note that if sellers of a buy option already own the underlying asset (covered option), their risk may be lower than if they do not own the underlying (naked option). The losses to which they are exposed in the latter case are potentially unlimited. Only those Clients with the experience required and who fully understand the characteristics and risks involved can sell options, particularly naked options. Clients are requested to familiarise themselves with all the details of all the risks associated with an option before entering the trade.

6. *Contracts for difference (CFDs)*

"Contracts for difference" are concluded between two parties where the seller agrees to pay the buyer the difference between the price of the underlying asset on the date of purchase and the price on the due date, multiplied by the number of units of the underlying covered by the contract.
CFDs must be settled in cash.
Investing in a Contract for Difference exposes Clients to similar or higher levels of risk than those to which they would be exposed with the underlying asset.
Investing in a Contract for Difference can also subject Clients to a number of obligations and they should be aware of their implications.

7. *Warrants*

A warrant is a contract that gives the buyer the right to buy (call) or sell (put) an underlying security during a defined period of time at a price determined in advance, and issued by a financial institution which guarantees liquidity. Warrants may be issued for any financial product, including shares, debt securities, bonds, currencies, market indices, etc.
Warrants are highly leveraged, and a relatively small movement in the price of the underlying may have a considerable favourable or adverse impact on the price of the warrant. As a result, warrant prices may be volatile.
The subscription rights conferred by a warrant are always time-limited. If investors do not exercise the right within the pre-determined time, the value of the warrant lapses to zero.
We recommend that Clients do not purchase warrants if they are not prepared to lose the total amount of their investment plus commission and other transaction charges.
Off-exchange warrants may carry a higher level of risk than the risks associated with warrants traded on a regulated market. Indeed there is no market that allows customers to liquidate their position or to assess the value of their position. The issuer has no obligation to provide a price and when the price is provided, it may not be representative of the warrant's exact value.

8. Structured products

Structured products are financial products that can be adapted to meet the needs of all investment objectives (hedging, speculation at low, medium or aggressive levels, etc.). They combine several financial instruments (shares, funds, market indices, etc.). The maturity of structured products is determined at the issuance.
Derivative instruments are often included in the composition of structured products, which can involve leverage: a relatively small movement in the value of the underlying asset may therefore have a significant impact on the value of the structured product.
There is not necessarily a market for structured products, and they are essentially traded over-the-counter, which exposes Clients to liquidity risk. Clients are also exposed to counterparty risk with respect to the issuer of the product.
Structured products can offer some degree of capital protection, which however does not guarantee that the total capital invested will be recovered in all circumstances. Generally speaking, such protection applies to structured products held to maturity and moreover depends on the solvency of the issuer.
Structured products frequently expose Clients to a high level of risk and loss of their capital cannot be excluded. There may be specific risks inherent to some products, and Clients should familiarise themselves with these prior to making any investment decision.

9. Exchange transactions

Foreign-exchange transactions may be in one of two forms:

- Cash foreign exchange contracts by virtue of which the parties agree to exchange a given quantity of currencies within a payment period equal to the delivery period
- Over-the-counter currency forward contract by virtue of which the parties agree to exchange a given quantity of currencies at some date in the future, generally in more than two working days

These contracts are traded over the counter and Clients may be exposed to the risk that the counterparty will not honour the debt on the due date.
They are also subject to the foreign exchange risk generated by movements in the forex markets.

10. Foreign markets

Investing in a foreign market exposes Clients to different risks (which may be higher in some cases), from transactions in their national market, regardless of the product traded. Investments in emerging markets may not offer the same level of transparency, liquidity, efficiency and regulation as in other markets. Gains or losses on transactions in foreign markets or on contracts denominated in foreign currencies are exposed to exchange rate fluctuations. In some cases, the transaction may be affected by specific regulations on exchange controls, which may block or delay execution, as well as laws on repatriation of the currencies concerned.

11. *Suspension of trading*

In some trading conditions, it may be difficult or indeed impossible to liquidate a position, for example when the market suspends or restricts trading, or when market systems no longer operate correctly.
Placing a stop order does not guarantee that the losses will be limited to determined amounts, since market conditions may make it impossible to execute the order at the desired price.

12. Clearing houses

In the majority of markets, the execution of transactions by CACEIS Bank France (or by the broker, if relevant) on behalf of a Client is guaranteed by a clearing house. The operating methods and scope of the guarantee provided may vary from one clearing house to another and may not fully protect the Client in the event of default by CACEIS Bank France or by one of the parties to the transaction.

13. *Default or insolvency risk*

Default or insolvency of CACEIS Bank France or one of the parties to the transaction (for example the brokerage firm) may result in the liquidation or closure of Clients' positions without their prior consent. In some circumstances, Clients may not recover the assets deposited as collateral and may be offered compensation in cash.