RISK DISCLOSURE STATEMENT

Dear Customer,

1. In consideration of the Bank agreeing to open and maintain accounts and/or providing facilities to the undersigned ***(Customer),*** the Customer hereby accepts all risks (which the Customer acknowledges may be substantial) arising out of, in connection with or as a result of the opening and maintenance of any accounts with or facilities made available by the Bank ***(Services)*** and in relation to investing and trading in securities, investment funds or foreign currencies ***(Transactions*****)**.

2. The Customer hereby acknowledges and agrees that:

   (i) the risks as set out in Appendix A attached to this Risk Disclosure Statement are generally applicable to all products and services made available to it by the Bank;

   (ii) it has made/will make its own assessments and has relied/will rely on its own judgment in accepting the Services and entering into the Transactions;

   (iii) it has/will (as recommended by the Bank) obtain independent legal, tax, financial, accounting and other relevant professional advice before entering into any Transaction with the Bank;

   (iv) it has consulted/will consult its own professional advisers on the nature of the Services and has carefully considered whether the Services are appropriate for the Customer in the light of its experience, objectives and financial circumstances;

   (v) it has read all the documents, including Appendix A attached to this Risk Disclosure Statement, relating to the Services / Transactions and that it fully understands the nature of the Services / Transactions and the risks involved;

   (vi) it understands that the Bank acts simultaneously for a large number of customers as well as for the Bank's own account. As such, conflicts of interest cannot completely be avoided. Subject to any applicable laws, the Bank and its affiliates shall not be liable to account or specifically disclose to the Customer any profit, charge or remuneration made or received from any Transactions or Services;

   (vii) the Bank is not obliged to give advice or make recommendations and, notwithstanding that the Bank may do so on request by the Customer or otherwise, and such advice or recommendations if given or made are given or made diligently and with reasonable care based on analyses and available alternatives the Bank should reasonably know to exist (and the Customer acknowledges and agrees that it is so given or made) without any responsibility on the part of the Bank and on the basis that the Customer will nevertheless make its own assessment and rely on its own judgment; and

   (viii) this Risk Disclosure Statement (including Appendix A attached to this Risk Disclosure

Statement) does not disclose all of the risks and other significant aspects of the Transactions and before entering into any Transaction, the Customer must carefully consider whether the transaction is appropriate in light of its experience, objectives for engaging in the Transaction, financial condition, risk appetite and other relevant circumstances.

3. The Customer hereby accepts all risks including but not limited to, any losses, liabilities, costs (including legal costs), charges, expenses, actions, proceedings, claims and demands arising out of, in connection with or as a result of the opening and maintenance of any of the Services or the entering into of any Transaction (including all risks inherent in the Bank being authorised to accept and act on verbal, telephone, facsimile or electronic mail (as agreed to by the Bank) instructions in relation to the Services and engaging in the Transactions).

APPENDIX A

A. GENERAL INVESTMENT RISK

Currency Risk

1. Fluctuations in foreign currency rates can affect the Customer's profit/loss and financial investment if the financial transaction is denominated in a currency different from the Customer's original financial investment.

2. Where liabilities in one currency are matched by an asset in a different currency, or where assets are denominated in a currency other than the Customer's reference currency, movement of exchange rates may have a separate effect, unfavourable as well as favourable, on any gain or loss otherwise experienced on the investment.

3. Where the currency of the transaction is a foreign currency, the Customer will be exposed to the volatility of currency exchange rates fluctuations. Where the Customer trades in a foreign jurisdiction, it should also take into account the applicable taxes and exchange controls, including whether profits may be repatriated.

Price and Market Risk

4. The prices of financial instruments are subject to the risks of market fluctuations. Because prices and characteristics of over-the-counter financial instruments are often individually negotiated, there may be no central source for obtaining prices and there can be inefficiencies in the pricing of such instruments. The Bank makes no representation or warranty that the prices offered to the Customer will be the best prices available.

5. Under certain circumstances, the specifications of outstanding contracts (including the exercise price of an option) may be modified by an exchange or clearing house to reflect changes in the underlying interest.

6. Trading on electronic trading systems may differ from open outcry markets and other electronic trading systems.

7. In effecting an off-exchange Transaction, the Bank may be acting as the Customer's counterparty. Off-exchange Transactions may be less regulated or subject to a separate regulatory regime from on-exchange Transactions. Before undertaking such Transactions, the Customer should apprise itself of the applicable rules and attendant risks.

Liquidity and Market Disruption Risk

8. Certain securities may not be readily realizable. There is no certainty that market traders will be prepared to deal in them, and proper information for determining their current value may not be available.

9. As a result, there is a risk that the Customer may not be able to effect Transactions or close out a position quickly enough and in sufficient quantities at a reasonable price.

10. Placing contingent orders such as a "stop loss" order may not necessarily limit the Customer's losses to the intended amounts since market conditions may make it impossible to execute such orders at the designated price. Under certain market conditions the Customer may find it difficult to liquidate a position.

11. Electronic trading facilities are supported by computer systems for order routing, execution, matching, registration and clearing of trades. Such systems are vulnerable to temporary disruptions or power/system failure, which may result in losses.

12. Practices, policies and safeguards differ from market to market and the Customer should not assume that safeguards present in any particular stock exchange market are present, or present to the same extent or with the same effect, in other stock markets or jurisdictions or that any practices, policies and safeguards will remain unchanged.

13. Transactions involving underlying contracts or instruments which are traded on an exchange, market conditions of the exchange (such as liquidity) and/or the operation of the rules of such exchange (such as any discretion on the part of the exchange to suspend or limit trading of any contract or instrument because of price limits or "circuit breakers") may increase the risk of loss by making it difficult or impossible to effect any Transaction (including closing out any Transaction) or liquidate or offset any position.

Country Risk

14. A Customer transacting in a jurisdiction where it is not resident may be open to additional risk. Such jurisdiction may be subject to rules which may offer different or diminished investor protection. The regulatory authority of the Customer will not be able to compel enforcement of local rules in other jurisdictions where the Transactions have been or will be effected. Before transacting in another jurisdiction, the Customer should familiarize itself with any applicable rules in that jurisdiction and consult its professional advisers if necessary.

15. Different jurisdictions may impose exchange controls or other restrictions. This may cause payments to be made to the Customer in the local currency instead of the original invested currency. This may also result in the inability to perform outward remittance of funds from such a jurisdiction, which can affect the value of the investment or the ability to enjoy its benefit.

Event Risk

16. This is the risk of an unpredictable event that immediately causes sharp price movements and volatile market conditions, and strains market liquidity. For bonds, this affects the ability of a bond or note issuer to service the obligations of a bond. Examples of event risk include leveraged buyouts, exchange controls, corporate restructurings, court rules that affect the credit rating of a company or sovereign debt rescheduling.

Credit Risk

17. Securities, funds and other instruments may not be guaranteed by the Bank or its affiliates, and are subject to the risks of the issuer or counterparty, including but not limited to failure by such issuer or counterparty to make good, valid or timely delivery or payment to the Customer. The Customer should familiarize itself with the protection accorded to any money or other property which is deposited for domestic and foreign transactions, particularly in insolvency situations. The extent to which the Customer may recover its money or property may be governed by specific legislation or local laws.

Fees, Charges and Tax Treatment

18. Transaction costs such as brokerage, commission, fees, stamp duty, tax, exchange controls and other transaction costs (for which the Customer will be liable) will affect the Customer's net profits (if any) or exacerbate its losses.

Securities Trading

19. The Customer will be exposed to the volatility of the various stock exchange markets and political and other risks in the various jurisdictions in which the securities are traded. In particular, the value of securities may experience downward movements and may under some circumstances even become valueless. There is therefore an inherent risk that losses rather than profits may be incurred as a result of buying or selling securities.

20. Under certain market conditions, the Customer may find it difficult to liquidate a position. Placing buy or sell orders will not necessarily limit its losses to the intended amounts, since market conditions may make it impossible to execute such orders at the designated price.

21. The Customer will be exposed to risks of bad delivery of securities purchased. There are also risks involved in not registering purchased securities in the Customer's, its nominee's or its custodian's name.

Margined Transactions

22. In a margined transaction, the Customer could face substantial margin calls and thus a liquidity problem if the relevant underlying price, asset value or index level moves adversely to the Customer's position. In the event that the Customer fails to meet the margin requirements within the specified time, the transaction and other transactions and assets may be sold, terminated or closed out prior to their maturity without the Customer's consent or at a time when their market price or realisable value is lower than what the Customer considers is a reasonable price or value for those transactions or assets. The Customer could therefore sustain large and unexpected losses on those transactions or assets.

Leverage

23. Using leverage in a transaction can lead to large losses as well as gains. In the event the Customer fails to understand or is unsure whether it understands the complex features, option and gearing features of a particular transaction, it should seek clarification with its relationship manager regarding the same.

24. Essentially, leverage increases the Customer's exposure to the underlying assets of the transaction and magnifies the Customer's losses and gains. Where the transaction is subject to a leverage factor, the notional amount of the Customer's investment (that is subject to the risk of entire loss) may be increased by the effect of the leverage factor, so the Customer may suffer a loss of a multiple of the unleveraged notional amount.

B. SPECIFIC PRODUCT RISK

Notes and Bonds

25. For fixed income notes and bonds, prices fluctuate with changes in interest rates. The degree of interest rate sensitivity depends on the maturity and coupon of the bond. Floating rate issues lessen the Customer's interest rate risk to the extent that the rate adjustments are responsive to market rate movements. Call provisions will also affect interest rate exposure. If the issuer has the right to redeem the bond before maturity, this can adversely affect the Customer's exposure.

26. In purchasing a note or bond, the Customer is taking a credit risk on each of the reference entities as well as the issuer. Published bond ratings should be supplemented by the Customer's own credit analysis of the issuer as changes in bond ratings may lag behind changes in financial condition. Purchasers of notes and bonds should perform periodic, independent analysis to determine the credit quality of the issuer and evaluate the merits and risks of such investment.

Structured Products

27. Structured products involve a combination of two or more financial and derivative

instruments where the associated risks may be interconnected.

28. Structured products involve a high degree of risk as it may result in the loss of all or a substantial amount of the investment. As such, it should only be bought and traded by investors who are particularly knowledgeable in investment matters. Prior to engaging in structured product Transactions, the Customer should ensure that it understands the inherent risks involved. In particular, the risks associated with each financial instrument within the structured product should be evaluated not only separately, but as a whole.

Unit Trusts

29. Unit trusts are not bank deposits or obligations of or guaranteed by the Bank or any of its affiliates, and are subject to investment risks, including the possible loss of the principal amount invested. The value of units and the income from the unit trust may fall as well as rise and cannot be guaranteed. Past performance figures are not necessarily indicative of the future performance of the unit trust.

30. Any forecasts or opinions are the fund manager's as at the date of the document (which may change from time to time) and should not be regarded as a guarantee of future or likely performance of the unit trust. The Customer should note that there are necessarily limitations whenever performance is stated or comparison is made to another unit trust or index for a period of less than three years and that there are also limitations and difficulties in using any graph, chart, formula or other device to determine whether or not, if so, when to, make an investment in these unit trusts.

Exchange Traded Funds

31. Exchange traded funds are open-ended investment funds listed and traded intra-day on an exchange. Exchange traded funds are not principal protected and the Customer may not get back its original investment. The Customer should also be aware that exchange traded funds may not make any dividend distributions, even if the securities it holds do so.

32. Certain factors may also affect an exchange traded fund's ability to achieve a high correlation with its underlying indexes, commodities or assets and there can be no guarantee that an exchange traded fund will achieve a high degree of correlation. A failure to achieve a high degree of correlation may prevent an exchange traded fund from achieving its investment objectives.

33. There is a risk that the exchange traded fund manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results, in particular when the exchange traded fund does not replicate its underlying indexes, commodities or assets, but instead holds non-index securities.

34. The value of an exchange traded fund may decline when the counterparty with whom the exchange traded fund purchases financial instruments from and/or enters into agreements with, becomes insolvent or otherwise fails to perform its obligations for any reason.

Dual Currency Investments

35. A Dual Currency Investment ("**DCI**") is essentially a deposit combined with the grant of a short call option on the primary currency. A DCI offers the possibility of a higher return than a money market instrument.

36. When a DCI matures, the Bank will repay the Customer in either the primary currency or the alternative currency, depending on the movement of the exchange rates between both currencies at the time of maturity. The Customer should note that these exchange rates are subject to fluctuation from time to time. If payment is in the alternative currency, the exchange rate previously agreed between the Bank and the Customer (the "**Agreed Exchange Rate**") will be used for conversion. After conversion, the principal amount may be less than the initial investment amount. The Customer may even lose the entire principal amount it initially invested, in the event that there is a complete devaluation of the primary currency against the alternative currency or vice versa contrary to the Customer's interest. The amount of gains the Customer may receive is limited to the amount of interest earned on the principal.

37. DCIs are suitable for the Customer if the Customer wishes to see a high return on its investments and accepts the risk of repayment in the alternative currency at the Agreed Exchange Rate. Accordingly, it is the Bank's policy not to accept placement of any DCI unless the buyer has a use for the currencies in which the deposit may be repaid on maturity. The higher the potential earnings, the greater the risk that payment will be made in the alternative currency at the Agreed Exchange Rate.

38. The Customer should be aware that DCI buyers do not enjoy downside protection, and thus investing in DCIs will involve substantial risks. Furthermore, repayment or payment of amounts due to the Customer may be delayed or prevented due to exchange controls or other actions imposed by governmental or regulatory bodies.

Equity-linked notes

39. An Equity-Linked Note ("**ELN**") is a debt instrument combined with an option that allows a bull, bear or range bet. The performance of a single security, a basket of securities or an index is usually the determining factor for the return on an ELN. The Customer should note that investing in ELNs involves substantial risks and may not be suitable for the Customer. The price or value of the ELNs may fluctuate drastically, and may even become valueless. It is not guaranteed that the Customer will make profits on its investments; it is just as likely that losses will be incurred rather than profit made. Furthermore, the Customer will not enjoy protection of its principal investment and may even lose the entire amount if the prices move against its view.

40. A bull ELN consists of a conventional deposit combined with the premium received from writing a put option on the chosen securities. If the value of the securities decreases such that it is less than the strike price minus the premium received, the buyer will suffer a loss, which may (in the worst scenario) amount to the entire capital sum.

41. A bear ELN combines a deposit with the premium received by selling a call option on the chosen securities. The amount that the issuer will repay the buyer upon maturity of the bear ELN depends on the strike price and the market value of the securities at that point in time. In the event that the market value of the securities is higher than the strike price, the buyer of the bear ELN will lose the entire capital invested.

42. A range ELN is a combination of a conventional deposit with the premium received by selling both a put option and a call option on the chosen securities.

43. The Customer should be aware that during the investment period, it has no right to the underlying assets. The Customer should also be aware that issuers may provide limited market making arrangement for their ELNs. However, if the Customer tries to terminate an ELN before its maturity under the market making arrangement provided by the issuer, the Customer may receive an amount which is substantially less than its original investment amount. Also, the return on an ELN may be predetermined by the issuer, so that the Customer will not gain more than the specified amount, even if the Customer has judged the direction of the underlying market correctly. In addition, the Customer should note that there is a limited secondary market for outstanding ELN issues. Furthermore, in purchasing an ELN, the Customer relies on the creditworthiness of the issuer. Also, the ELNs are not secured by any assets or collateral. In the event of liquidation of the issuer, the Customer will have to claim as an unsecured creditor.

Derivative Transactions

44. Before the Customer enters into any derivative transaction, the Customer should carefully consider:

(i) the purpose the Customer wishes to achieve in entering into the derivative transaction;
(ii) the risks involved in the derivative transaction; and
(iii) the suitability of the derivative transaction for the Customer.

45. Derivative transactions are typically entered into in connection with an underlying liability or asset for the purpose of reducing the Customer's risk to, or enhancing the Customer's yield through, exposure to movements in rates, indices, prices or values such as interest or currency exchange rates, or commodity prices. The Customer should only enter into derivative transactions to hedge against a genuine commercial risk, and not for speculative purposes.

46. The specific risks of a derivative transaction will depend upon the precise terms of that derivative transaction and the Customer's individual circumstances. In general, risks in derivative transactions can be categorised as follows:

(i) Market risk – adverse and unanticipated market, economic and political developments which rapidly change the risk profile and market value of derivative transactions;

(ii) Basis risk – the risk that the derivative transaction does not match properly the underlying liability or asset;

(iii) Credit risk – the inability of the Customer's counterparty to meet its obligations under derivative transactions;

(iv) Operational risk – the appropriateness of the Customer's internal risk management systems and controls to monitor risks on an on-going basis throughout the lifetime of a derivative transaction;

(v) Legal, regulatory and tax risks – the enforceability of contractual obligations, compliance with regulatory requirements and taxation treatment of derivative transactions.

The Customer should also be aware that some derivative transactions may involve significant amounts of leverage. Where this is the case, even small movements in the price of the underlying liability or asset may lead to very large gains or losses under the derivative transaction. Additionally, under some types of derivative transactions, the Customer may be exposed to a contingent liability. This means that the Customer can lose more than the amount originally invested (and may be required to make additional payments, potentially at short notice) if the market moves against the Customer.

47. The Customer should consider the appropriateness of a derivative transaction in the light of the Customer's experience and objects. The Customer should also ensure that the Customer has the financial capacity and the capacity to enter into derivative transactions by reference to the Customer's constituting documents and to laws and regulations applicable to the Customer and that the Customer has duly conferred authority (typically by resolution of the Board of Directors) on named persons to enter into derivative transactions on the Customer's behalf.

Swap Transactions

48. A swap transaction is an agreement between two parties to exchange different types of assets or revenue flows for an agreed period of time.

49. An example of a swap transaction would be an interest rate swap involving fixed rate and floating rate of interest for the same currency, in which the Customer may be entitled to receive a fixed rate of interest and obliged to pay a floating rate of interest. In this situation, the Customer will only receive gains if interest rates generally remain stable or decrease so that the floating rate the Customer must pay is less than the fixed rate the Customer receives. On the other hand, the Customer may suffer a loss if interest rates increase rapidly. The Customer should note that the extent of increase has no theoretical limit. In this example as well as its converse situation (where the Customer receives a floating rate of interest and is obliged to pay a fixed rate of interest), movements in the referenced rates may have a significant impact on the Customer's cash flow as well as the cost of unwinding the swap position. For uncovered interest rate swaps, there is unlimited interest rate risk, computed on the full amounts contracted.

50. Where the Customer is involved in an interest rate swap between fixed and fixed rates, fixed and floating rates, or floating and floating rates for different currencies, the movements in exchange rates may have a considerable impact on the Customer's position.

51. Other factors may also cause movements in interest and exchange rates, such as inflationary fears and weakening currency and illogical market behavior, thus making interest and exchange rates difficult to predict. In addition, there is the risk of that one of the parties to the transaction will default on or fail to perform its obligations. The risk of default is usually greater where both principal and income streams are swapped.

52. In uncovered contracts, there is also the risks which are inherent to the particular instruments which are the subject of the swap transaction. The Customer should note that these risks may not be mutually offset and should instead be viewed in aggregate.

Forwards, Futures and Leveraged Foreign Exchange Trading

53. Forwards and futures entail the obligation to deliver or take delivery on a specified expiration date of a defined quantity of an underlying asset at a price agreed on the contract date. Futures are standardised contracts traded on-exchange while forwards are traded over-the-counter. Both forwards and futures may involve a high degree of risk and may not be suitable for the Customer.

54. When buying or short-selling an underlying asset by way of a futures or forward (including a non-deliverable forward) contract, specified initial margin (which is usually a percentage of the total value of the contract) must often be supplied at the beginning of the contract. Additional margin (corresponding to the notional profit or loss arising from any change in value in the contract or underlying assets) may have to be provided periodically during the life of the contract.

55. In forward sales, the underlying asset must be delivered at the agreed price even if its market value has since risen. The seller thus risks losing the difference between these two amounts. Since there is no theoretical limit to the extent of the increase of the said market value, potential losses are unlimited and can substantially exceed the margin requirements.

56. In forward purchases, the buyer must take delivery of the underlying asset at the agreed price even if its market value has since fallen. The buyer thus risks losing the difference between these two amounts. If the prevailing market price at the time of delivery is zero, the buyer's maximum loss would be based on the full amount of the agreed price. Potential losses can substantially exceed margin requirements.

57. Transactions in futures and leveraged foreign exchange carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract or leveraged foreign exchange transaction so that the transaction is highly 'leveraged' or 'geared'. A relatively small market movement will have a proportionately larger impact on the funds the Customer has deposited or will have to deposit; this may work against the Customer as well as for the Customer. If the market moves against the Customer's position or margin levels are

increased, the Customer may be called upon to pay substantial additional funds on short notice in order to maintain its position. In such a situation, the Customer may sustain a total loss of the initial margin funds and any additional funds deposited with the firm to maintain the Customer's position and may incur further liability to the Bank or other counterparties or sustain further losses. If the Customer fails to comply with a request for additional funds within the specified time, the Customer's position may be liquidated at a loss and the Customer will be liable for any resulting deficit in its account.

58. The placing of certain orders (e.g. 'stop-loss' orders, where permitted under local law, or 'stop-limit' orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. At times, it is also difficult or impossible to liquidate a position without incurring substantial losses. Strategies using combinations of positions, such as 'spread' and 'straddle' positions may be as risky as taking simple 'long' or 'short' positions.

Options

59. Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarise themselves with the type of options (i.e. put or call) which they contemplate trading and the associated risks. The Customer should calculate the extent to which the value of the options would have to increase for its position to become profitable, taking into account the premium paid and all transaction costs. The purchaser of options may offset its position by trading in the market or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a futures contract or leveraged foreign exchange transaction, the purchaser will have to acquire a futures or leveraged foreign exchange position, as the case may be, with associated liabilities for margin (see the section on Futures and Leveraged Foreign Exchange Trading above). If the purchased options expire worthless, the Customer will suffer a total loss of its investment which will consist of the option premium paid plus transaction costs. If the Customer is contemplating purchasing deep-out-of-the-money options, it should be aware that, ordinarily, the chance of such options becoming profitable is remote.

60. Selling ('writing' or 'granting') an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of the amount of premium received. The seller will be liable to deposit additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a futures contract or a leveraged foreign exchange transaction, the seller will acquire a futures or leveraged foreign exchange position, as the case may be, with associated liabilities for margin (see the section on Futures and Leveraged Foreign Exchange Trading above). If the option is 'covered' by the seller holding a corresponding position in the underlying futures contract, leveraged foreign exchange transaction or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

61. Certain exchanges in some jurisdictions permit deferred payment of the option premium, limiting the liability of the purchaser to margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

Additional Risks Common to Futures, Options and Leveraged Foreign Exchange Trading

62. The Customer should ask the corporation with which it conducts its transactions for the terms and conditions of the specific futures contract, option or leveraged foreign exchange transaction which the Customer is trading and the associated obligations (e.g. the circumstances under which the Customer may become obligated to make or take delivery of the underlying interest of a futures contract or a leveraged foreign exchange transaction and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances, the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

63. Market conditions (e.g. illiquidity) or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or 'circuit breakers') may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If the Customer has sold options, this may increase the risk of loss.

64. Further, normal pricing relationships between the underlying interest and the futures contract, and the underlying interest and the option may not exist. This can occur when, e.g., the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge 'fair' value.

65. The Customer should familiarise itself with the protection accorded to any money or other property which it deposits for domestic and foreign transactions, particularly in a firm's insolvency or bankruptcy. The extent to which the Customer may recover its money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as the Customer's will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

66. Before the Customer begins to trade, the Customer should obtain a clear explanation of all commissions, fees and other charges for which it will be liable. These charges will affect the Customer's net profit (if any) or increase its loss.

67. Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose the Customer to additional risk. Such markets may be subject to a rule which may offer different or diminished investor protection. Before the Customer trades, it should enquire about any rules relevant to its particular transactions. The Customer's local regulatory authority will be unable to compel the enforcement of the rules of the regulatory authorities or markets in other jurisdictions where the Customer's transactions have

been effected. The Customer should ask the firm with which it conducts its transactions for details about the types of redress available in both the Customer's home jurisdiction and other relevant jurisdictions before the Customer starts to trade.

68. The profit or loss in transactions in foreign currency-denominated futures and options contracts (whether they are traded in the Customer's own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

69. Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. The Customer's ability to recover certain losses may be subject to limits on liability imposed by the one or more parties, namely the system provider, the market, the clearing house or member firms. Such limits may vary. The Customer should ask the firm with which it conducts its transactions for details in this respect.

70. 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 the Customer undertakes transactions on an electronic trading system, the Customer 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 the Customer's order is either not executed according to the Customer's instructions or not executed at all.

71. In some jurisdictions, firms are permitted to effect off-exchange transactions. The firm with which the Customer conducts its transactions may be acting as the Customer's counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before the Customer undertakes such transactions, the Customer should familiarise itself with the applicable rules and attendant risks.

72. In considering whether to trade or to authorise someone else to trade for the Customer, the Customer should be aware of the following:
    (a) If the Customer purchases or sells a futures contract or leveraged foreign exchange transaction, the Customer may sustain a total loss of the initial margin funds and any additional funds that it deposits with the holder of a capital markets services licence to establish or maintain the Customer's position. If the market moves against the Customer's position, the Customer may be called upon by the holder to deposit a substantial amount of additional margin funds on short notice in order to maintain the Customer's position. If the Customer does not provide the required funds within the specified time, its position may be liquidated at a loss, and the Customer will be liable for any resulting deficit in its account.
    (b) Under certain market conditions, the Customer may find it difficult or impossible to liquidate a position.
    (c) The placement of contingent orders by the Customer or the holder of a capital markets

services licence authorised by the Customer, such as a ‘stop-loss’ or ‘stop limit’ order, will not necessarily limit the Customer’s losses to the intended amounts, since market conditions may make it difficult or impossible to execute such orders.

(d) A ‘spread’ position may not be less risky than a simple ‘long’ or ‘short’ position.

(e) The high degree of leverage that is often obtainable in futures and leveraged foreign exchange trading can work against the Customer as well as for the Customer. The use of leverage can lead to large losses as well as gains.

(f) In some cases, managed accounts, such as the Customer’s, are subject to substantial charges for management and advisory fees. It may be necessary for those accounts that are subject to these charges to make substantial trading profits to avoid depletion or exhaustion of their assets.

73. Unless the Customer has a specific agreement with the Bank for the provision of advisory services or fund management services, the Customer should note and accept that the Bank’s relationship with the Customer in relation to the Customer’s securities and securities-related transactions is purely execution-only broker / dealer or as a counterparty to the Customer. In either case while the Customer is entitled to expect the Bank or its employees or representatives to answer the Customer’s queries, the obligation in so answering is only to be honest. Such answers should not be assumed to be backed by any prior reasonable due diligence or research or specifically suitable for reliance by the Customer without the Customer first independently confirming that the answer is intended as specific advice to and is suitable for or to the Customer’s specific financial needs and objectives or the Customer verifying the same with the Customer’s independent advisers on its specific suitability for the Customer’s specific financial needs and objectives.

Shares

74. Share markets can be volatile, and have the potential to fall by large amounts over short periods of time. Whilst the performance of shares will generally be based on, amongst other things, the earnings, cash flow position, balance sheet, market position, risk situation, shareholder structure and distribution policy of the companies, the performance of shares are also affected by global economic conditions, interest rates and bond yields. The price of shares can move substantially in response to specific corporate, economic or general market news or developments affecting the company, country, region, exchange, market, market segment or industry and this could pose a significant event risk.

75. An investment in shares is exposed to changes within that company or its business environment. These events include changes to operations and/or management, changes to product distribution, legal action against the company or profit and loss announcements. Shares are therefore exposed to a range of factors that affect the shares’ individual performance and which may cause an investment’s return to differ from that of the broader market. In addition, there is a risk that if a company becomes insolvent, then shareholders’ rights of recovery against the assets of the company may rank lower than the secured creditors of the company.

76. Investments in emerging market shares (as opposed to developed market shares) may also

experience increased asset price volatility and face higher currency, default and liquidity risk.

Accumulators and decumulators

77. Accumulators and decumulators are derivatives products which essentially involve a series of options. These products pose significant investment risk to the Customer. The Customer should ensure that it understands the complex features, option and gearing features of these products and should seek explanation from its relationship manager regarding the same.

78. In an accumulator, the Customer is allowed to buy on a regular basis during the contract period a fixed number of contract units of the underlying asset (for example, a stock or a foreign currency), at a price lower than the prevailing market price of the underlying asset (viz., strike price) at the date of the contract. This is because the Customer receives a premium from selling the options to the counterparty of the accumulator contract and, as a result, the Customer is obliged to purchase (from the counterparty) an agreed amount of the underlying asset at the strike price. Therefore, the more options sold, the larger the difference between the strike price and the price at which the Customer buys the contract units, but the risks will also be significantly greater for the Customer.

79. During the contract period, when the market price is above the strike price, the Customer will make a gain. Nevertheless, there is usually a knock-out clause in the accumulator contract which provides that if the market price of the underlying asset is at or above a certain amount (the "**Knock-out Price**"), the accumulator contract will be terminated. The Knock-out Price can be set on an aggregated basis or on a periodical basis (for each observation period). This effectively means that the Customer has taken the view that the price of the underlying assets will move within the defined range between the strike price and the Knock-out Price. However, such an assumption may not hold true in times of high market volatility.

80. A significant risk of investing in accumulators is that the Customer is bound by the contract to take up the daily contract units of the underlying asset (at the strike price), even when the market moves against the Customer's position, i.e. when the market price falls below the strike price, even to the extent where the underlying assets become valueless. The Customer will thus sustain significant losses, which will be magnified if the contract includes a "multiplier" condition (i.e. the Customer is obliged to take up multiple times of the daily contract units of the underlying asset when the market moves in a direction adverse to the Customer's position). Furthermore, the risk will increase with the length of the contract period, as the Customer is obliged to purchase a larger number of contract units during the whole contract period.

81. In a decumulator, the Customer agrees to sell a fixed number of underlying assets on a regular basis at the strike price. As the price of the underlying assets may rise higher and higher, the loss which the Customer may sustain is theoretically unlimited.

Note:
"Margin" means an amount of money, securities, property or other collateral, representing a part of the value of the contract or agreement to be entered into, which is deposited by the buyer or the seller of a futures contract or in a leveraged foreign exchange transaction to ensure performance of the terms of the futures contract or leveraged foreign exchange transaction.