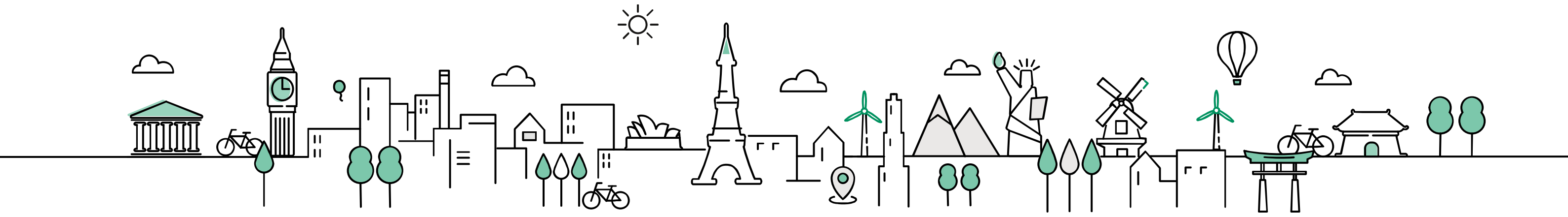

FOR PROFESSIONAL & NON-PROFESSIONAL INVESTORS - 2018

MiFID Brochure
BNP Paribas Asset Management

GENERAL INFORMATION

In accordance with regulations, BNP PARIBAS ASSET MANAGEMENT Holding SA and affiliated[1] companies ("BNPP AM") provides information about itself, its management company services and the ancillary investment services it offers. BNPP AM offices are located at the following adress:

1 Boulevard Haussmann 75009 Paris
France
web site: www.bnpparibas-am.com

This brochure is intended to provide the required level of information on our firm and on the financial services we provide as well as the relevant financial instruments and their related risks.

If information included in this brochure seems unclear or in case of any questions, please do not hesitate to contact BNPP AM.

We remain at your service to answer any questions you may have in relation to our rules of conduct as well as in relation to the different types of services and financial instruments we provide.

LICENSES AND COMPETENT SUPERVISORY AUTHORITY

The following BNPP AM Entities are MiFID investment firms and/or management companies licensed for Undertakings for Collective Investment in Transferable Securities ("UCITS") and/or Alternative Investment Funds ("AIF").

BNP PARIBAS ASSET MANAGEMENT FRANCE is supervised by the French competent supervisory authority, the Autorité des Marchés Financiers (AMF).

17, place de la Bourse

75082 Paris Cedex 02

France

[1] *Affiliated companies means any entity controlled, directly or indirectly, by BNP PARIBAS ASSET MANAGEMENT Holding; the control has the meaning ascribed in the article L 233-3 of the French Commercial code*

BNP PARIBAS ASSET MANAGEMENT BELGIUM is supervised by the Belgian competent supervisory authority, the Financial Services and Markets Authority ("FSMA").

www.fsma.be
12-14 Rue du Congrès/Congresstraat

1000 Brussles

Belgium

BNP PARIBAS ASSET MANAGEMENT Nederland N.V.is supervised by the Dutch competent supervisory authority, the Dutch Authority for the Financial Markets (AFM)
www.afm.nl
P.O. Box 71770
1008 DG, Amsterdam
the Netherlands

BNP PARIBAS ASSET MANAGEMENT UK Limited is supervised by the UK competent supervisory authority, The Financial Conduct Authority
12 Endeavour Square
London
England
E20 1JN

INVESTMENT SERVICES AND ANCILLARY SERVICES

Compliant with local, European and applicable extraterritorial regulations, BNPP AM aims at ensuring a high level of investor protection, respecting the applicable rules of conduct and acting in the clients' best interest.

Please note that BNPP AM focuses its services offering to professional clients. MiFID classification is our starting point when providing ancillary investment services.

Ensuring a high level of investor protection can only be achieved by providing adequate information to our potential and existing clients and by obtaining accurate and up-to-date information from these potential and existing clients with regards to their financial situation, risk tolerance, ability to bear losses, investment objectives and investment horizon.

The information collected allows us to determine which services and financial instruments are deemed suitable for you.

IMPORTANT FOR YOU

BNPP AM offers the following MiFID investment services:

- **Investment Advice** (including, if requested, the reception and transmission of orders in relation to advised financial instruments)

  Investment Advice can be defined as the provision of personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect to one or more transactions relating to financial instruments.

  Investment Advice implies that the recommendation presented is suitable for the client, in its capacity as an investor or a potential investor, and that it must be based on a consideration of the circumstances of the client.

  Please note a recommendation differs from the provision of information in the sense that a recommendation always requires an element of opinion on the part of the advisor.

  Please note that BNPP AM provides **investment advice on a non-independent basis.**

  This means the advice will be based on a restricted analysis of different types of instruments and a restricted range of instruments. Also note that we may have close links or other legal or economic relationships with the issuers, providers or other third parties making those instruments available.

  Detailed information regarding the different types of instruments and the range of instruments that could be advised upon can be found on the BNPP AM website under the "access our funds" button: www.bnpparibas-am.com.

  Also please note that BNPP AM will not conduct a periodic assessment of the suitability of the recommended financial instruments.

- **Portfolio Management**

  Portfolio Management can be defined as the managing of portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments.

  Portfolio Management implies that the client has given the portfolio manager a mandate with respect to the management of its assets. The portfolio manager is thus allowed to take decisions and undertake actions for the appropriate management of the portfolio on behalf of the client and this always in the best interest of the client.

CONDUCT OF BUSINESS RULES

- **MiFID classification:** in accordance with current regulations applicable to the investment services BNPP AM provides, BNPP AM classifies its clients as non-professional ("retail") or as professional.

  Please note that if your entity is a local public authority, municipality, association or union, your entity will be classified as a retail client.

- **Product governance:** this enhances investor protection by requiring that investment firms take reasonable steps to ensure that financial instruments are marketed to a pre-determined **target market** of clients that is specific to a given financial instrument. BNPP AM will also review the effectiveness of these arrangements on a regular basis.

- **Inducements:** in accordance with current regulations applicable to the investment services BNPP AM provides, BNPP AM does not receive any fees; commissions or other monetary or non-monetary benefits disbursed or provided by third parties, except for minor non-monetary benefits improving the quality of the service offered to clients.

- **Suitability report for investment advice provided to non-professional clients:** BNPP AM will send **before** any transaction is made, a **suitability report** explaining on which basis the investment advice is considered **suitable** for their specific situation.

- **Reporting obligation in relation to portfolio management:** in the case of a 10% decrease of the value of a client's portfolio within one reporting period, BNPP AM's clients will be notified.

- **Ex ante costs and charges:** in order to ensure transparency and in the best interest of the client, costs and charges relating to the investment and/or ancillary services and the related financial instruments are disclosed on an aggregate basis and in a timely manner to clients prior to any provision of service or investment decision.

- **Ex post costs and charges:** in order to ensure transparency and in the best interest of the client, costs and charges relating to the investment and/or ancillary services and the related financial instruments (if relevant) are disclosed on an annual basis to clients.

- **Telephone and electronic communication recording and record-keeping:** BNPP AM records telephone conversations and electronic communications with its clients that result or may result in a transaction or certain other regulated activities. A copy of these communications must be available on request for a period of five years after the communication was recorded.

- **Information about the procedures for safeguarding the Clients Financial Instrument and Cash**

  The Company does not hold cash or financial instruments of clients

  Any cash and financial instruments under management, as well as the cash and financial instruments deriving from time to time from the management activity performed by the Company on behalf of the Client, are deposited with the depositary appointed by the Client

- **Legal Entity Identifier ("LEI") code:** In order to comply with current regulatory obligations where BNPP AM provides investment services to clients, a valid LEI code is required.

  This LEI code is a unique 20 character ISO1 identifier for a legal entity that participates in a financial transaction. Once a legal entity obtains an LEI code, the code remains unchanged.

  Please consult the following website for information on how to obtain a LEI code: www.leiroc.org.

IMPORTANT FOR YOU

- **Complaints Policy**

BNPP AM has a proven track record of providing its clients with high-quality and reliable investment services. Client satisfaction is our primary objective.

If however any client feels dissatisfied with our services, BNPP AM has adopted a **Complaints Policy** in order to first remediate the issue at hand and second, take into account this issue and evaluate how BNPP AM can improve its service offering to avoid similar issues in the future. Clients filing a complaint will receive an acknowledgement notice within ten business days.

Information regarding the Complaints Policy can be found on the BNPP AM website under the "Complaints management policy" tab: www.bnpparibas-am

- **Conflicts of Interest Policy**

BNPP AM has adopted investor protection rules regarding the prevention and management of any incurred or potential conflicts of interest by implementing a Conflicts of Interest Policy and an associated Conflicts of Interest Inventory. This policy and inventory is regularly updated in order to ensure its accuracy and exhaustiveness.

Detailed information regarding the Conflicts of Interest Policy can be found on the BNPP AM website under the "MiFID" footer: www.bnpparibas-am.

- **Best execution–Best selection Policy**

BNPP AM has adopted a Best execution-Best selection Policy aimed at enhancing investor protection with regards to the execution of client orders. This policy is regularly updated in order to ensure its accuracy and exhaustiveness.

Furthermore new requirements have been implemented with regards to the regular monitoring and review of our Best execution-Best selection Policy and the arrangements put in place to ensure that all sufficient steps are taken to obtain the best possible result for our clients when executing their orders.

Every year, BNPP AM will publicly disclose the top five execution venues used, in terms of trading volumes, to clarify how we achieve best execution for you. BNPP AM will also regularly publish reports on information regarding the quality of execution for transactions that we executed against our own books.

Detailed information regarding the Best execution-Best selection Policy can be found on the BNPP AM website under the "MiFID" footer: www.bnpparibas-am

FINANCIAL INSTRUMENTS AND RELATED RISKS

INTRODUCTION

This section cannot disclose all the risks and other significant aspects associated with different types of investments. It is intended to cover the nature and main risks associated with different types of investments which may or may not be relevant for you depending on the nature of the investments held within your Portfolio.

You should not deal in financial instruments unless you understand the nature of the contract you are entering into and the extent of your exposure to risk.

You should also be satisfied that the product and/or service is suitable for you in light of your circumstances and financial position and, where necessary, you should seek appropriate advice in advance before making any investment decisions.

IMPORTANT FOR YOU

Risk factors may occur simultaneously and/or may compound each other resulting in an unpredictable effect on the value of any investment.

All financial products carry a certain degree of risk and even low risk investment strategies contain an element of uncertainty.

The types of risk that might be of concern will depend on various aspects, including how the instrument is created or drafted.

Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments or become involved in any financial products you should be fully aware of the following points brought up in this section.

1- PRODUCTS AND INVESTMENTS

SHARES, EQUITY INSTRUMENTS

A risk with equity is that the company must both grow in value and make adequate dividend payments or the price will fall. The company, if listed or traded on-exchange, will then find it difficult to raise further capital to finance the business and the company's performance will deteriorate vis-à-vis its competitors, leading to further reductions in the share price. Ultimately the company may become vulnerable to a takeover or may fail. Shares have exposure to all the major risk types referred to in Part 2 below. In addition, there is a risk that there could be problems in the sector that the company is in. And, if the company is private, i.e. not listed or traded on an exchange, or is listed but only traded infrequently, there is also a certain amount of liquidity risk, whereby shares could become very difficult to dispose of.

WARRANTS

A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities. A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavorable or favorable, in the price of the warrant. The prices of warrants can therefore be volatile.

The right to subscribe which a warrant confers is invariably limited in time with the consequence that if the investor fails to exercise this right within the pre-determined time-scale then the investment becomes worthless. A warrant is potentially subject to all of the major risk types referred to in Part 2 below. You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.

Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a covered warrant). For these instruments, see below.

MONEY-MARKET INSTRUMENTS

A money-market instrument is a borrowing for a period, generally no longer than six months, but occasionally up to one year, in which the lender takes a deposit from the money markets in order to lend (or advance) it to the borrower. Unlike in an overdraft, the borrower must specify the exact amount and the period for which he wishes to borrow. Like other debt instruments (see below), money-market instruments are exposed to the major risk types in Part 2 below, including credit and interest rate risk.

DEBT INSTRUMENTS/BONDS/DEBENTURES

All debt instruments are potentially exposed to the major risk types described in Part 2 below, including credit risk and interest rate risk. Debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Fixed-rate transferable debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

UNITS IN COLLECTIVE INVESTMENT SCHEMES

Collective investment schemes and their underlying assets are potentially exposed to all of the major risk types referred to in Part 2 below. There are many different types of collective investment schemes.

Generally, a collective investment scheme will involve an arrangement that enables a number of investors to 'pool' their assets and have these professionally managed by an independent manager. Investments may typically include gilts, bonds and quoted equities, but depending on the type of scheme may go wider into derivatives, real estate or any other asset. There are risks on the underlying assets held by the scheme and investors should, therefore, check whether the scheme holds a number of different assets, thus spreading its risk. Subject to this, investment in such schemes can reduce risk by spreading the investor's investment more widely than may have been possible if he or she was to invest in the assets directly.

The reduction in risk is achieved because the wide range of investments in a collective investment scheme reduces the effect that any one investment can have on the overall performance of the portfolio. Although, therefore, seen as a way to spread risks, the portfolio price can fall as well as rise.

DERIVATIVES, INCLUDING OPTIONS, FUTURES, SWAPS, FORWARD RATE AGREEMENTS, DERIVATIVE INSTRUMENTS FOR THE TRANSFER OF CREDIT RISK, FINANCIAL CONTRACTS FOR DIFFERENCES

Derivatives Generally

A derivative is a financial instrument derived from an underlying asset's value; rather than trade or exchange the asset itself, an agreement is entered into to exchange money, assets or some other value at some future date based on the underlying asset. There are many types of derivatives, but options, futures and swaps are among the most common. An investor in derivatives often assumes a great deal of risk, and therefore investments in derivatives must be made with caution, especially for smaller or less experienced investors.

High risk is inherent to derivatives predominantly as there is a reliance on underlying assets, thus unpredictable. Options or futures can allow a person to pay only a premium to presume the direction in an asset's price, and while this can often lead to large returns if right, it would lead to a 100% loss (the premium paid) if wrong. Options or futures sold “short” (i.e. without the seller owning the asset at the time of the sale) may lead to great losses if the price of the derivative rises significantly. If a derivative transaction is particularly large or if the relevant market is illiquid (as may be the case with many privately negotiated off-exchange derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

On-exchange derivatives are subject, in addition, to the risks of exchange trading generally. Off-exchange derivatives are contracts entered into with a counterparty and, like any contract, subject to credit risk and the particular terms of the contract (whether one-off or a master agreement) should be considered in all cases.

Derivatives can be used for speculative purposes or as hedges to manage other investment risks. In all cases the suitability of the transaction for the particular investor should be considered. You should therefore ask about the terms and conditions of the specific derivative and associated obligations (e.g. the circumstances under which you may become obligated to make or take delivery of the underlying of a futures contract 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 asset.

Normal pricing relationships between the underlying asset and the derivative may not exist in all cases. This can occur when, for example, 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 assess 'fair' value. The points set out below in relation to different types of derivative are not only applicable specifically to these derivatives but are also applicable more widely to derivatives generally. All derivatives are potentially subject to the major risk types in Part 2 below, especially market risk, credit risk and any specific sector risks connected with the underlying asset.

Futures/Forwards/Forward rate agreements

Transactions in futures or forwards involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The 'gearing' or 'leverage' often obtainable in futures and forwards trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as in your advantage. Futures and forwards transactions have a contingent liability, and you should be aware of the implications of this, in particular margining requirements: these are that, on a daily basis, with all exchange-traded, and most OTC off-exchange, futures and forwards, you will have to pay over in cash losses incurred on a daily basis if you fail to, the contract may be terminated (See Part 3 below).

Options

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

Buying options: Buying options involve less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you must acquire the future. This will expose you to the risks described under 'futures' and 'contingent liability investment transactions'.

Writing options: If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position (as explained above) and a loss may be sustained well in excess of the premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price.

If you already own the underlying asset which you have contracted to sell (known as 'covered call options') the risk is reduced. If you do not own the underlying asset (known as 'uncovered call options') the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

Traditional options: Certain London Stock Exchange member firms under special exchange rules write a particular type of option called a 'traditional option'. These may involve greater risk than other options. Two-way prices are not usually quoted and there is no exchange market on which to close out an open position or to effectuate an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk.

Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

Contracts for differences

Certain derivatives are referred to as contracts for differences. These can be options and futures on the FTSE 100 index or any other index, as well as currency and interest rate swaps. However, unlike other futures and options (which may, depending on their terms, be settled in cash or by delivery of the underlying asset), these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option as referred to above. Transactions in contracts for differences may also have a contingent liability.

Swaps

A swap is a derivative where two counterparties exchange one stream of cash flows against another stream. A major risk of old off-exchange derivatives, (including swaps) is known as counterparty risk. If a party, A, wants a fixed interest rate loan and so swaps a variable rate loan with another party, B, thereby swapping payments, this will synthetically create a fixed rate for A. However, if B goes insolvent, A will lose its fixed rate and will be paying a variable rate again. If interest rates have gone up a lot, it is possible that A will struggle to repay. The swap market has grown substantially in recent years, with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap.

COMBINED INSTRUMENTS

Any combined instruments, such as a bond with a warrant attached, is exposed to the risk of both those products and so combined products contain a risk which is greater than those of its components generally.

2- GENERIC RISK TYPES

GENERAL

The price or value of an investment will depend on fluctuations in the financial markets outside of anyone’s control. Past performance is no indicator of future performance. The nature and extent of investment risks varies between countries and from investment to investment. These investment risks will vary with, *inter alia*, the type of investment being made, including how the financial products have been created or their terms drafted, the needs and objectives of particular investors, the manner in which a particular investment is made or offered, sold or traded, the location or domicile of the Issuer, the diversification or concentration in a portfolio (e.g. the amount invested in any one currency, security, country or issuer), the complexity of the transaction and the use of leverage. The below risk types could have an impact on each type of investment:

LIQUIDITY

The liquidity of an instrument is directly affected by the supply and demand of that instrument. Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to intended amounts, but market conditions may make it impossible to execute such an order at the stipulated price. In addition, with the off-exchange products, unless the contract terms so provide, the counterparty does not have to terminate the contract early or buy back the product.

CREDIT RISK

Credit risk is the risk of loss caused by borrowers, bond obligors, or counterparties failing to fulfil their obligations or the risk of such parties’ credit quality deteriorating.

COUNTERPARTY RISK

Counterparty risk is the risk of loss caused by a counterparty failing to fulfill their contractual obligations as and/or when prescribed, particularly with respect to transactions in derivatives traded outside a trading venue.

MARKET RISK

General

The price of investments goes up and down depending on market supply and demand, investor perception and the prices of any underlying or allied investments or, indeed, sectorial and economic factors. These can be totally unpredictable.

Foreign markets

Any foreign investment or investment with a foreign element can be subject to the risks of foreign markets which may involve different risks from the EU markets. In some cases the risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

Emerging Markets

Price volatility in emerging markets, in particular, can be extreme. Price discrepancies can be common and market dislocation is not uncommon. Additionally, as news about a country becomes available, the financial markets may react with dramatic upswings and/or downswings in prices during a very short period of time. Emerging markets generally lack the level of transparency, liquidity, efficiency and regulation found in more developed markets. For example, these markets might not have regulations governing manipulation and insider trading or other provisions designed to “level the playing field” with respect to the availability of information and the use or misuse thereof in such markets. They may also be affected by political risk. It may be difficult to employ certain risk management practices for emerging markets investments, such as forward currency exchange contracts or derivatives.

CLEARING HOUSE PROTECTIONS

On many exchanges, the performance of a transaction is “guaranteed” by the exchange or clearing house. However, this guarantee is usually in favor of the exchange or clearing house member and cannot be enforced by this client who may, therefore, be subject to the credit and insolvency risks of the firm through whom the transaction was executed. There is, in any event, no clearing house for traditional options, nor for off-exchange instruments which are not traded under the rules of an exchange.

INSOLVENCY

The insolvency or default of the firm with whom you are dealing, or of any brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent or, indeed, investments not being returned to you. There is also insolvency risk in relation to the investment itself, for example of the company that issued the bond or of the counterparty to the off-exchange derivatives (where the risk relates to the derivative itself and to any collateral or margin held by the counterparty).

CURRENCY RISK

In respect of any foreign exchange transactions and transactions in derivatives and securities that are denominated in a currency other than that in which your account is denominated, a movement in exchange rates may have a favorable or an unfavorable effect on the gain or loss achieved on such transactions. The weakening of a country’s currency relative to a benchmark currency or the currency of your portfolio will negatively affect the value of an investment denominated in that currency. Currency valuations are linked to a host of economic, social and political factors and can fluctuate greatly, even during intra-day trading. Some countries have foreign exchange controls which may include the suspension of the ability to exchange or transfer currency, or the devaluation of the currency. Hedging can increase or decrease the exposure to any one currency, but may not eliminate completely exposure to changing currency values.

INTEREST RATE RISK

Interest rates can rise as well as fall. A risk exists with interest rates that the relative value of a security, especially a bond, will worsen due to an interest rate increase. This could impact negatively other products.

REGULATORY/LEGAL RISK

All investments could be exposed to regulatory or legal risk. Returns on all, and particularly new, investments are at risk from regulatory or legal actions and changes which can, amongst other issues, alter the profit potential of an investment. Legal changes could even have the effect that a previously acceptable investment becomes illegal. Changes to related issues such as tax may also occur and could have a large impact on profitability. Such risk is unpredictable and can depend on numerous political, economic and other factors. For this reason, this risk is greater in emerging markets but does apply everywhere. In emerging markets, there is generally less government supervision and regulation of business and industry practices, stock exchanges and over-the-counter markets.

The laws and regulations governing investments in securities may not exist in some places, and where they do, may be subject to inconsistent or arbitrary application or interpretation and may be changed with retroactive effect. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. Judges and courts in many countries are generally inexperienced in the areas of business and corporate law. Companies are exposed to the risk that legislatures will revise established law solely in response to economic or political pressure or popular discontent.

There is no guarantee that a foreign investor would obtain a satisfactory remedy in local courts in case of a breach of local laws or regulations or a dispute over ownership of assets. An investor may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in foreign courts.

OPERATIONAL RISK

Operational risk, such as breakdowns or malfunctioning of essential systems and controls, including IT systems, can impact on all financial products, but in particular for holders of shares, which equate to a part of the ownership of the company. Personnel and organizational changes can severely affect such risks and, in general, operational risk may not be apparent from outside the organization.

3- TRANSACTION AND SERVICE RISKS

CONTINGENT LIABILITY INVESTMENT TRANSACTIONS

Contingent liability investment transactions, which are margined, require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately. If you trade in futures, contracts for differences or sell options, you may sustain a total loss of the margin you deposit with your firm to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you must be responsible for the resulting deficit. Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered the contract. Save as specifically provided by the FSA, your firm may only carry out margined or contingent liability transactions with, or for you, if they are traded on or under the rules of a recognized or designated investment exchanges. Transactions which are traded elsewhere may be may exposed to substantially greater risks.

COLLATERAL

If you deposit collateral as security with your firm, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral, depending on whether you are trading on a recognized or designated investment exchange (see below), with the rules of that exchange (and the associated clearing house) applying, or trading on another exchange or, indeed, off-exchange. Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets which you deposited, and may have to accept payment in cash. You should ascertain from the firm how your collateral will be dealt with.

OFF-EXCHANGE TRANSACTIONS

The several European regulators have categorized certain exchanges as recognized or designated investment exchanges. A list of these exchanges can be found on their respective websites. Transactions which are traded elsewhere may be exposed to substantially greater risks.

LIMITED LIABILITY TRANSACTIONS

Before entering into a limited liability transaction, you should obtain from the firm a formal written statement confirming that the extent of your loss liability on each transaction will be limited to an amount agreed by you before you enter into the transaction. The amount you can lose in limited liability transactions will be less than in other margined transactions, which have no predetermined loss limit. Nevertheless, even though the extent of loss will be subject to the agreed limit, you may sustain the loss in a relatively short time. Your loss may be limited, but the risk of sustaining a total loss to the amount agreed is substantial.

COMMISSIONS

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

SUSPENSIONS OF TRADING AND GREY MARKET INVESTMENTS

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

Transactions may be entered into in:

- a security whose listing on an exchange is suspended, or the listing of or dealings in which have been discontinued, or which is subject to an exchange announcement suspending or prohibiting dealings; or
- a grey market security, which is a security for which application has been made for listing or admission to dealings on an exchange where the security's listing or admission has not yet taken place (otherwise than because the application has been rejected) and the security is not already listed or admitted to dealings on another exchange.

There may be insufficient published information on which to base a decision to buy or sell such securities.

DEPOSITED CASH AND PROPERTY

You should familiarize yourself with the protections accorded to you in respect of money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property, which had been specifically identifiable as your own, will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

STABILISATION

Transactions may be carried out in securities where the price may have been influenced by measures taken to stabilize it. Stabilization enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilization may affect not only the price of the new issue but also the price of other securities relating to it. Regulations allow stabilization in order to help counter the fact that, when a new issue comes on to the market for the first time, the price can sometimes drop for a time before buyers are found. Stabilization is carried out by a 'stabilization manager' (normally the firm chiefly responsible for bringing a new issue to market). As long as the stabilizing manager follows a strict set of rules, he is entitled to buy back securities that were previously sold to investors or allotted to institutions which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilization.

The Stabilization Rules:

- limit the period when a stabilizing manager may stabilize a new issue;
- fix the price at which he may stabilize (in the case of shares and warrants but not bonds); and
- require him to disclose that he may be stabilizing but not that he is actually doing so.

The fact that a new issue or a related security is being stabilized should not be taken as any indication of the level of interest from investors, nor of the price at which they are prepared to buy the securities.

NON-READILY REALISABLE INVESTMENTS

Both exchange listed and traded and off-exchange investments may be non-readily realizable. These are investments in which the market is limited or could become so. Accordingly, it may be difficult to assess their market value and/or to liquidate your position.

STOCK LENDING

The effect of lending securities to a third party is to transfer title to the borrower for the period that they are lent. At the end of the period, you get back securities of the same issuer and type. The borrower's obligation to transfer equivalent securities is secured against collateral. Lending securities may affect your tax position.

STRATEGIES

Particular investment strategies will carry their own particular risks. For example, certain strategies may be as risky as a simple 'long' or 'short' position.

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