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## RISK DISCLOSURE NOTICE



This Risk Disclosure Notice has been produced by Walbrook Capital Markets Limited and we require that you read through it carefully prior to opening an account with us. This document should be read in conjunction with our Terms of Business, and by agreeing to the Terms of Business you are also acknowledging your awareness of the risks disclosed herein.

Due to the wide range of risks that may exist when trading in the financial markets, it is not possible for this notice to disclose all of the risks. Before we open an account for you, we will make an assessment of whether our products and services are appropriate for you, and warn you if we deem them not to be appropriate. However, it is ultimately your responsibility to ensure you understand the risks before you open an account. If you are in any doubt as to the risk or appropriateness of an investment or

product please seek advice from an independent financial adviser.

Should you choose to enter into a relationship with us, it is important that you remain aware of the risks involved, that you have adequate financial resources to bear such risks, and that you monitor your positions carefully. The value of investments can fall as well as rise and any income from them is not guaranteed. When trading on margin, it is possible to lose more than your initial deposit and account balance. You should only trade with funds that you can afford to lose. Past performance is not a guide to future performance.

## SECTION 2 / FOREX AND CONTRACTS FOR DIFFERENCES (“CFD”)

Forex, CFDs, and Spread Bets are margined over-the-counter (“OTC”) transactions. This means these transactions are not undertaken on any approved financial market such as a stock exchange or futures exchange. OTC transactions may involve greater risk than investing in on-exchange contracts because there is no exchange market on which to close out an open position. All positions entered into with us must be closed with us and cannot be closed with any other entity. In very extreme cases, it may be impossible to liquidate an existing position, to assess the value of the position arising from an OTC transaction or to assess the exposure to risk.

CFDs can be entered into in relation to indices or stocks, gold, silver and oil. Spread bets are a form of CFD. However unlike other futures and options, these contracts can only be settled in cash. Our prices are derived from the underlying markets but the details of our CFDs can vary substantially from those of the actual underlying market or instrument. Our CFDs and Forex trades do not provide any right to the underlying instruments or, for CFDs on stocks, to voting rights.

Margined CFD and Forex are some of the riskiest forms of investment available in the financial markets and are not suitable for all investors. Given the possibility of losing an entire investment, speculation in CFDs and Forex should only be conducted with risk capital funds that if lost will not significantly affect your personal or institution’s financial wellbeing. If you have pursued only conservative forms of investment in the past, you may wish to study CFD and Forex trading further before entering into an investment of this nature.

**Gapping Risks** - Various situations, developments or events may arise over a weekend when the currency markets generally close for trading; or in the underlying markets for CFDs during the hours when they are closed for trading. These may cause the currency and CFD markets to open at a significantly different price from where they closed. This is referred to as ‘gapping’. Our clients will not be able to use the Walbrook Capital Markets Limited Trading Facility to place or change orders over the weekend and at other times when the markets are generally closed. There is a substantial risk that stop-loss orders left to protect open positions held over the periods when markets are closed will be executed at levels significantly worse than their specified price.

**Buy/Sell Spread!**- Your position may be subject to market volatility risk and prices may change while your position is open. The opening and closing price of a CFD or Forex contract quoted to you will be derived

from the price in the underlying market for that instrument subject to your proposed trade being at or below the normal market size for that instrument. The size of the difference between our ‘buy’ and ‘sell’ prices may change while your CFD or Forex contract position is open to reflect changing market conditions. It may, therefore, be the case that there is a wider difference between the ‘buy’ and ‘sell’ prices you are quoted when closing a CFD or Forex contract than when it was opened.

**Liquidity Risk** - The depth of the market in which your CFDs or Forex are traded may limit your ability to close out your CFDs or Forex position. Where a stock is tightly held by market participants, the market in the underlying instrument is ‘illiquid’. If this is the case it may be difficult for you to close your position with us at the time or price that you want. Should you open a substantial CFD or Forex position in an illiquid market, a corresponding hedging transaction that we may have entered into, may be above the normal market size for the instrument in question and represent a large transaction. In an illiquid market, it may take us hours, days or even weeks to properly hedge against your CFD position. During these illiquid times you may not be able to close out your CFD position and it is possible that the price of the CFD could move against you.

**Trading on Margin** - Before you open a CFD or Forex trade, we will generally require you to lodge money with us as Initial Margin. The Initial Margin Requirement will usually be a relatively modest proportion (10% for example) of the overall contract value. This means that you will be trading using ‘leverage’ or ‘gearing’. Leveraged trading can work for or against you: a small price movement in your favour can result in a high return on the Margin placed for the trade, but a small price movement against you may result in substantial losses. Further, leverage risk can be amplified through the use of a credit facility or any form of borrowing to fund your CFD or Forex trading, particularly credit cards.

When trading through Walbrook Capital Markets Limited’s Trading System, an adverse movement can quickly result in the loss of your entire Initial Margin Requirement. If the market moves strongly against you, you may be required to pay additional funds into your account to avoid having your positions closed out. The amount of additional funds will be the Initial Margin Requirement plus any net equity less cash and collateral held.

If you do not pay in additional funds, your trade(s) may be compulsorily closed at a loss and you may lose our entire Initial Margin Requirement. Walbrook Capital Markets Limited may offer you a credit allocation which

may, amongst other payments, cover the Initial Margin Requirements. The extent of your agreed credit allocations facility does not limit your loss or financial liability. You can be subject to Margin calls for an amount in excess of

your credit allocation. The amount of capital which you are prepared to place at risk should be sufficient to cover your credit allocation and the possibility that further Margin calls may arise.

## SECTION 3 / DEBT AND EQUITY SECURITIES

Our service enables you to trade in securities via the Internet and telephone and is generally provided on an execution-only basis, unless otherwise individually agreed. This means that we will not give you any form of investment or tax advice, or advise you on the merits of a particular transaction. In the provision of this service we are not required to assess the suitability for you of the securities or services provided or offered.

When trading on an exchange, there is a Normal Market Size ("NMS") for each security. If your limit order or stop order is too far above this size, it may not be executed automatically (even partially), even if the price is matched by the market price. Orders can and may be partially filled depending on the market size of the quote and the time. Where possible, we will attempt to manually execute such orders on a best endeavours basis. You are therefore advised to ensure that your order can be matched in terms of size.

It is possible that any orders you give us to sell or purchase securities will be effected at or around the same time as similar orders by other clients of Walbrook Capital Markets Limited. The possibility exists that orders made by you could be aggregated with orders made by another Walbrook Capital Markets Limited client. We will not aggregate an order from you with any other order unless it is likely that such aggregation will not work to the disadvantage of you and any other client concerned. However, you should note that the aggregation of orders may work on some occasions to your disadvantage and may result in a slightly less favourable price.

As a consequence of using our service, you may alter your personal tax position. We will only make a dividend payment in the manner that we receive it from the registrar or custodian. For US equities, we are required to deduct 15% or 30%, if the applicable W-8BEN form is not held. For UK equities, dividends are usually paid net 80% of the total. The levels of and bases of taxation can change. You should consult your own tax adviser in order to understand any applicable tax consequence that might arise through the use of our service.

**Gilts and Bonds** – When buying gilts and/or bonds, you should consider the issuer's credit rating and their ability to repay their debt. This will have a direct bearing on the value of the investment. Should the issuer default, they may not make interest payments or be able to repay your money.

**Short Selling** – Short-selling of securities, as with any other margined transaction, exposes you to the risk of losing more than your initial investment.

**AIM and Penny Shares** – Alternative Investment Market (AIM) and penny shares carry a higher degree of risk of losing money than other UK shares. It may be difficult to deal in these shares. There is a big difference between the buying price and the selling price of these shares. If they have to be sold immediately, you may get back much less than you paid

for them. The price may change quickly and it may go down as well as up. Also, it may be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed.

Bulletin board, pink sheet and other thinly-traded securities are relatively less liquid and more volatile than actively traded securities listed on a major exchange or NASDAQ. Bulletin board stocks may be subject to different trading rules and systems than other securities. As such, there may be significant delays in executions, reports of executions and updating of quotations in trading bulletin board stocks.

**Stabilisation** - We may deal for you in investments that have been the subject of stabilisation. Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other securities relating to it. The UK Financial Services Authority ("FSA") allows stabilisation in order to help counter the fact that, when a new issue comes onto the market for the first time, the price can sometimes drop for a time before buyers are found.

Stabilisation is carried out by a 'stabilisation manager' (normally the firm chiefly responsible for bringing a new issue to market). As long as the stabilising manager follows a strict set of rules, he is entitled to buy back securities that were previously sold to investors or allotted to institutions which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.

The Stabilisation Rules:

- limit the period when a stabilising manager may stabilise a new issue;
- fix the price at which they may stabilise (in the case of shares and warrants but not bonds); and
- require them to disclose that they may be stabilising (but not that they are doing so).

The fact that a new issue or a related security is being stabilised should not be taken as any indication of the level of interest from investors, or of the price at which they are prepared to buy the securities. The investments and services offered by us may not be suitable for all investors. If you have any doubts as to the merits of an investment, you should seek advice from an independent financial adviser who is authorised by the FSA to advise on such investments.

**Unit Trusts and Exchange Traded Funds ("ETF")** - Unit trusts, like shares, are subject to a spread between the bid and offer prices, whereas Open-Ended Investment Companies ("OEICs") are single-priced. In most cases, unit trusts and OEICs can be dealt once each business day, though some may be dealt less frequently. Dealing times may vary from one provider to another and from one unit trust or OEIC to another. Unit trusts and

OEICs are dealt on a forward pricing basis and, as a result, neither you nor we will know in advance the price at which an order will be executed. They are also subject to initial and annual management charges and in certain circumstances may be subject to a dilution levy.

Non-investment grade bonds are contained in some funds which carry a risk that the capital value of the fund will be affected because they have an increased risk of default on repayment by the issuing companies compared to investment grade bonds. You should read a fund's simplified prospectus before investing. Be aware that some may use derivatives which carry a high risk to your capital.

Futures - Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The gearing or leverage often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you.

Options - Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you will acquire the corresponding futures contract.

The limited risk in buying options means you could lose the entire option investment should the option expire worthless. Options trading is highly speculative and contains a high degree of risk. Options trading is not suitable for all investors. Before trading options with us, please carefully review and consider your financial situation, risk tolerance and investment objectives. Only open an account based on that review. Walbrook Capital Markets Limited reserves the right to terminate or restrict your options trading privileges if we determine that your trading activities or option positions present a risk to Walbrook Capital Markets Limited.

If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell ('covered call options') the risk is reduced. If you do not own the underlying asset

('uncovered call options') the risk can be unlimited. Writing uncovered options should be done only after securing full details of the applicable conditions and potential risk exposure. Only experienced persons should contemplate writing uncovered options.

The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

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. Warrants often involve a high degree of gearing, so that a relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile.

It is essential for anyone who is considering purchasing warrants to understand that the "right to subscribe", which a warrant confers, is invariably limited in time. If the investor fails to exercise this right within the pre-determined timescale then the investment becomes worthless. 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. Further, covered warrants generally have only one issuer and, should they decide to stop trading, there is a risk that the warrant may lose all value.

Day Trading - Active trading, or day trading, can be extremely risky. A "day-trading strategy" is an overall trading strategy characterized by the regular transmission by a client of intra-day orders to effect both purchase and sale transactions in the same security or securities. Day trading on margin or short selling may result in losses beyond your initial investment. Day trading is not appropriate for someone of limited resources and limited investment or trading experience and low risk tolerance.

Corporate actions - We do not aim to make a profit from our clients from the outcome of corporate actions such as rights issues, takeovers and mergers, share distributions or consolidations, and open offers. We aim to reflect the treatment we receive, or, would receive were we hedging our exposure to you. However, the treatment you receive may be less advantageous than if you owned the underlying instrument, we may have to ask you to make a decision on a corporate action earlier than if you owned the underlying, or, the options we make available to you might be more restricted and less advantageous than if you owned the underlying.

## SECTION 4 / MARKET VOLATILITY AND ORDERS

Whether you place a market or limit order, the price you receive will be the price at which your order is executed in the marketplace. During periods of high volume, illiquidity, fast movement or volatility in the marketplace, the execution price received may differ from the quote provided on entry of an order, and you may receive partial executions of an order at different prices. Walbrook Capital Markets Limited will not be liable for any such price fluctuations.

Price quotes are generally only for a small number of shares as specified

by the marketplace, and larger orders are relatively more likely to receive executions at prices that vary from the quotes or in multiple lots at different prices. Securities may open for trading at prices substantially higher or lower than the previous closing price or the anticipated price. This may have a positive or negative impact on your market orders. You have the option to utilize limit orders which can assist with avoiding the repercussions of these fluctuations. Limit orders may not be executed at any particular time, or at all if there is not sufficient trading at or better than the limit price you specify.

In a fast market the bid and ask prices of securities may change rapidly. Although all securities have the potential to be exposed to fast market conditions, securities of companies that have recently made initial public offerings (IPOs) may be particularly prone to price volatility. If you place market orders for securities issued as part of an IPO, there is a risk of receiving execution that is substantially away from the market price at the time you placed the order.

As a result of fast market or volatile market conditions, large order imbalances, system queues, high volume of orders or trading, Internet communications delay, system outages and capacity limitations, there may be delays in the entry and execution of your orders. Therefore, the price of the securities that you want to trade may change significantly between the time you obtain a price quote and placement of your order and the time of order execution.

Stop-loss orders and limit orders are only available on selected instruments and we are entitled to refuse to accept any Stop-loss orders or limit orders on any instrument. Stop-loss orders are non-guaranteed unless, at the time of placing the order, it is expressly guaranteed by us. Non-guaranteed orders are vulnerable to gapping. You should also be aware that for UK equities, the Stop-loss is triggered only when the traded price reaches the target; for US equities, the Stop-loss may be triggered if the target is within the spread or quoted price.

Special risks apply to limit, stop loss and stop buy orders. Limit orders enable you to specify a minimum price for sales and a maximum price for purchases on shares. Stop orders are designed to trigger a sale when the price of a security falls below or a purchase when the price rises above a specified level. You should be aware that certain factors may cause the bid-offer spread of a security to increase, even momentarily, to an abnormally wide level, thereby causing your limit or stop orders to execute. These abnormal prices are the prevailing best prices for that security at that time.

The placing of stop and limit orders is entirely at your own risk and, to the extent that disputes arise which are caused by matters beyond Walbrook Capital Markets Limited's control, you accept sole responsibility and that Walbrook Capital Markets Limited bears no responsibility for such matters.

You are advised to review these orders on a regular basis in order that you are aware of your outstanding commitments and that they remain in line with your current investment objectives. We do not guarantee that limit orders or stop orders will be executed even if the limit price is met. This could be as a consequence of:

- market conditions at the time (where the market is so volatile that prices quoted by market makers are only indicative rather than guaranteed);
- other clients having placed similar orders, but then having an earlier time priority than your order and being executed in priority to your order; or
- other factors which are outside of our control.

Limit orders and stop orders will only be executed if there are:

- for purchases, sufficient funds in your Walbrook Capital Markets Limited account to meet the potential cost of execution (including dealing costs and applicable government taxes), or you are due to receive proceeds from a sale in which case these funds will be applied to this purchase; and
- for sales, these securities are held in your Walbrook Capital Markets Limited account.

## SECTION 5 / FOREIGN MARKETS

Foreign markets involve different risks from UK markets. In some cases risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign currency will be affected by fluctuations in foreign exchange rates. Such enhanced risks include the risks of political

or economic policy changes, which may substantially and permanently alter the conditions, terms, marketability or price of a foreign currency. In addition to any initial charge quoted there may be a bid/offer spread or dilution levy.

## SECTION 6 / INSOLVENCY

If we become insolvent or go into default, this may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual cash or assets, which you lodged as collateral and you may have to accept any available payment in

cash. In this unlikely event, we are members of the Financial Services Compensation Scheme which, in respect of proven and eligible claims, provides protection of 100% of the first £50,000 for investment (for claims declared from 1 January 2010).

## SECTION 7 / PRICES

The prices posted on the Walbrook Capital Markets Limited Trading Facility may not necessarily reflect the broader market. We will select closing prices to be used in determining Margin requirements and in periodically marking to market the positions in client accounts. Although we expect that these prices will be reasonably related to those available

on what is known as the interbank market, prices we use may vary from those available to banks and other participants in the interbank market. Consequently, we may exercise considerable discretion in setting Margin requirements and collecting Margin funds.

## SECTION 8 / ELECTRONIC TRADING

Trading through the Walbrook Capital Markets Limited Trading Facility may differ from trading on other electronic trading systems as well as from trading in a conventional or open market. Clients that trade on

an electronic trading system are exposed to risks associated with the system including the failure of hardware and software and system down time.

## SECTION 9 / SUSPENSIONS OF TRADING

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange, trading is

suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

## SECTION 10 / COMMISSIONS

Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a dealing spread),

you should obtain a clear written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms.

## SECTION 11 / NO ADVICE

Unless agreed separately in writing, we do not provide investment advice relating to investments or possible transactions in investments. We are permitted to provide factual market information and information about

transaction procedures, potential risks involved and how those risks may be minimized, but, any decisions made must be yours.

## SECTION 12 / ELECTRONIC COMMUNICATIONS

We offer you the opportunity to trade and communicate with us via electronic means, for example by our trading platform and email. Although electronic communication is often a reliable way to communicate, no electronic communication is entirely reliable or always

available. If you choose to deal with us via electronic communication, you should be aware that electronic communications can fail, can be delayed, may not be secure and/or may not reach the intended destination.



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