Investment and Risks Warning Disclosure

We offer a wide range of investments, each with their own risks and rewards. The following document provides you with a general description of the nature and key risks of the financial products that you can trade through Swissquote Bank Europe SA, together with the General risks of trading.

If you are not sure about any aspect of the risks and features of these products, you should seek professional advice.

You should be aware that the performance of all of the investment products set out below is not guaranteed and the prices may go down as well as up. You should not view the past performance of investments as a guide to their future performance.

We provide you with an execution-only service and will not provide you with advice. Therefore, you should seek independent investment advice, if necessary. We will not carry out a suitability assessment for any proposed instruments. You should familiarise yourself with the nature and the risks of each financial instrument (see sections 1 and 2) and the general risks of trading (see section 3).

You are responsible for all investment decisions and you are liable for any profit or loss on your account.

Non-Complex Products	Complex Products	General risks of trading
▪ Shares* ▪ Collective investment products (UCITS**) ▪ Non-complex debt securities (bonds)*	▪ Warrants ▪ Off-exchange warrant transactions ▪ Securitised derivatives ▪ Contracts for difference (CFD), including Foreign exchange trading (FOREX) ▪ Convertible debt instruments ▪ Over the Counter Transactions (OTC) ▪ Exchange Traded Products (ETP) ▪ Nil Paid Rights ▪ Futures ▪ Contract options ▪ Lombard Loans/Lombard credit	▪ Changes in net asset values or prices ▪ Economic risk / Country Risk / Transfer risk ▪ Market and Volatility risk ▪ Inflation risk ▪ Execution risk ▪ Foreign markets ▪ Currency / Foreign exchange risk ▪ Leveraging ▪ Clearing house protections ▪ Information risk ▪ Initial Public Offerings (IPO) ▪ Electronic trading ▪ Position monitoring ▪ Counterparties ▪ Conflicts of Interest

*Admitted to trading on a regulated market or an equivalent third-country market or MTF (Multilateral trading facility), excluding financial instruments that embed a derivative instrument or incorporating a structure making it difficult for the client to understand the risk

**Undertakings for the Collective Investment in Transferable Securities (UCITS), excluding structured UCITS.

1. Non-Complex Products

1.1 Shares

Nature

Shares, known as equities, represent a portion of a company's share capital. The extent of your ownership in a company depends on the number of shares you own in relation to the total number of shares in issue. Some shares are bought and sold on stock exchanges and their values can fluctuate in line with market conditions. Only shares that are listed on a regulated market or equivalent (and exclude derivatives) may be classified as non-complex financial instruments.

Key risks

In respect of unlisted shares or shares in small companies, there is an extra risk of losing money when such shares are bought or sold. There can be a large difference between the buying and selling price of these shares. If they have to be sold immediately, you may get back much less than you paid for them.

Shares in companies incorporated in emerging markets may be harder to buy and sell than those shares in companies in developed markets and such companies may also not be regulated as strictly.

Investing in shares that are concentrated in a specialist sector is considered to be a higher risk strategy, due to the concentrated exposure to the market sector in question and a risk of higher volatility.

1.2 Collective investment products

Nature

Collective investment products include investment trusts, unit trusts, open ended investment companies (OEIC), real estate investment trusts (REIT) and exchange traded funds (ETF) which are deemed to be 'qualifying' under the Undertakings for Collective Investment in Transferable Securities directives (UCITS). These are all investment vehicles that invest their assets in the securities of other issuers, or in cash, in accordance with their own internal rules.

Whereas investment trusts and REIT are listed companies with their shares traded on the stock exchanges, unit trusts and OEIC are not traded on a stock exchange, but are traded through the manager of the product.

Investment trusts and REIT may trade at a discount or premium to the cumulative value of their underlying investments, depending on the demand for their shares. Unit trusts and OEICs are usually priced daily using a set formula based on their net assets minus charges.

Some collective investment products may specialise in certain countries or sectors and you should read the terms of any key features document carefully before deciding on an investment.

Only collective investment products that qualify as UCITS (and excluding structured UCITS) may be classified as non-complex financial instruments.

Key risks

As with individual equities, the value of your investment can fluctuate and you might not get back the original amount you invested.

Any income you receive from your investment in a collective investment scheme may vary with the dividends or interest paid by the underlying investments and so could fall as well as rise.

Collective investment products that focus on a country, sector or market index may display greater volatility than the wider market and so should be considered as higher risk than more broadly invested collective investment products.

As a retail customer resident in the European Economic Area, you will be provided with a key investor information document and/or a simplified prospectus for all UCITS qualifying collective investment products that you want to trade with us. The documentation will be available on our website as part of the trading process. You should read these documents carefully prior to purchasing a collective investment as they include full details of the particular risks relating to the product. It is your responsibility to ensure that you fully understand the contents of the documentation provided and if you are in any doubt you should seek professional advice.

1.3 Non-complex debt securities (bonds)

Nature

The value of debt investments (or 'Bonds') can generally be expected to be more stable than that of equity investments. However, in some circumstances, particularly when interest rate expectations are changing, the value of most bonds is also volatile. The most common use of a bond is to provide a reliable yield, or a source of income until maturity. Only bonds (or other debt instruments) that are admitted to trading on a European Union regulated market or equivalent may be classified as noncomplex instruments, except for those including a derivative investment or incorporating a structure making it difficult for the client to understand the risk.

Key risks

The value of a bond can be adversely affected by a number of factors such as: the issuer's credit rating, which reflects the opinion of the credit rating issuer on the financial position of the bond issuer to repay the amount payable when due; the market expectations about future interest and inflation rates; amount of interest payable (the coupon); the length of time until the debt falls due for repayment; and/or the seniority of a bond within the capital structure of a company, and the quality of any security available. Bonds issued by major governments or supranational bodies tend to be lower risk investments, while the risks of other debt securities (such as those with emerging market or corporate issuers) can vary greatly. For example, if an issuer is in financial difficulty, there is an increased risk that it may default on its repayment obligations. In that event, little or no capital may be recovered and any amounts repaid may take a significant amount of time to obtain.

2. 2. Complex Products

The Products presented in this section are complex instruments and you should make sure that you understand their nature and the level of risk they involve before you deal in these products. Although these products can be used for the management of investment risk, some of these products are inappropriate for many investors. You should consider carefully whether or not these products are appropriate for you in light of your knowledge and experience, and if you are in any doubt you should seek independent professional advice.

Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should be aware of the following points:

2.1 Warrants

Nature

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. 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').

Key risks

It is important to note that a relatively small movement in the price of the underlying security results in a large movement, unfavourable or favourable, in the price of the warrant. As a result, the prices of warrants can be volatile.

The right to subscribe conferred by a warrant is generally limited by time, which means that if the investor fails to exercise this right within the predetermined time-scale then the investment becomes worthless. It is therefore important to understand that if you are considering purchasing a warrant you should be prepared to lose all of the money you have invested plus any commission or other transaction charges.

2.2 Off-exchange warrant transactions

Nature

Off-exchange transactions are those where the relevant deal is not regulated by the rules of any stock exchange.

Key risks

It may be impossible to: liquidate an existing position, assess the value of the position arising from an off-exchange transaction or assess the exposure to risk.

Bid and offer prices need not be quoted and even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price and in some cases to sell at any price.

2.3 Securitised derivatives

Nature

Certain types of securitised derivatives, including covered warrants, may give you a time-limited right to buy or sell one or more types of investment which are normally exercisable against someone other than the issuer of that investment.

Other types of securitised derivatives may give you rights under a contract for difference which allow for speculation on the changes in the value of a particular kind of property (of any description) or changes in the value of an index, such as the S&P 500 index.

In both cases, the investment or property may be referred to as the "Underlying Instrument".

Key risks

Securitised derivatives often involve a high degree of gearing or leverage, so that a relatively small movement in the price of the Underlying Instrument results in a much larger movement, unfavourable or favourable, in the price of the securitised derivative which means that the price of these instruments can be volatile.

Securitised derivatives have a limited life, may include features such as in-built knock outs, stop losses or similar features and may (unless there is some form of guaranteed return to the amount you are investing in the product) expire worthless if the Underlying Instrument does not perform as expected.

As a result of this risk, you should only buy these products if you are prepared to lose all of the money you have invested plus any commission or other transaction charges.

2.4 Contracts for difference (CFD)

Nature

A CFD - or Contract for Difference - is speculation in changes in values. The product allows you to speculate in future increases or decreases in the value of a specific asset, for instance a share, index, commodity, precious metal, currency pair (see Forex exchange trading FOREX). Futures and Options contracts can also be referred to as contracts for difference (see Futures and Options) and be options and futures on an index, as well as currency and interest rate swaps. However, unlike other futures and options, CFD can only be settled in cash.

Listed CFD can also be referred to as 'Turbos'. Turbos are lower risk than traditional CFD as a Turbo embeds a guaranteed stop-loss at no extra cost, at all times giving you control of your maximum possible loss. With a Turbo you can never lose more than your initial margin payment, no matter how badly the market moves against you or the length of time it is held.

CFD are normally traded with the Bank as the counterparty, but some CFD are traded on a regulated market.

The CFD price, however, always moves with the price of the underlying product, which is in most cases traded on a regulated market. The price and liquidity of CFD on individual shares mirror the price and liquidity of the share on the market in which the share is admitted for trading, whereas, for instance, index CFD are over the counter (OTC) products with a price fixed by the Bank on the basis of the price and liquidity of the underlying shares, the futures market, estimated future dividends, the effects of interest rates, etc.

Key risks

Investing in a CFD carries a high degree of risk because these may be traded on leverage, meaning that you are allowed to take a larger position than you would otherwise be able, considering your funds with the Bank. Leverage can significantly magnify your gains and losses. Being linked to an underlying asset, the value of a CFD depends on that asset. Therefore, a small negative or positive movement in this underlying asset can have a much larger effect on your positions, leading to large losses as well as gains.

For Retail Clients, if the sum of funds in your trading account (i.e., any cash credited to your trading account) and the unrealised net profits of all open CFD transactions connected to that trading account (i.e., the sum of unrealised gains and losses of all open CFD positions recorded in your trading account) falls to less than half of the Minimum Initial Margin Requirement for all those open CFD transactions, the Bank will proceed with the closure of the position(s) making the biggest losses to bring your margin level back above the close-out level. However, if you are classified as a MiFID professional client, you could lose your entire investment and losing more than your initial deposit and you may be required to make further payments.

This is why you must ensure that you have sufficient funds in your account to cover your total margin requirements at all times. Failure to do so may lead to some or all of your positions being closed out if the balance of your account falls below the close-out level (as shown on the trading platform, depending on your MiFID client classification). You should continuously monitor your account and deposit additional funds or close your positions (or some of them) so that the cash in your account covers the total margin requirement.

You also need to pay attention to market volatility, liquidity and rapid changes in price. Gapping is a risk that arises as a result of market volatility and occurs when prices suddenly shift. This may arise outside normal business hours if you are trading international markets. These can quickly and drastically change your account balance, and therefore increasing the risk that you do not have sufficient funds in your account and that your positions are automatically closed by the platform if your account balance account falls below the close-out level.

Moreover, depending on the positions you hold, and how long you hold them for, you may have to pay financing costs. These costs are charged to your account on a daily basis if you hold positions on certain products overnight. In extreme cases, in situations where if you keep positions for a long time, the sum of these costs may exceed your profits, or could significantly increase losses. You need to have sufficient funds in your account to also cover these costs.

The CFD which can be traded on the Bank's platform are not listed on any exchange and are always made with the Bank as counterparty and are not cleared by any central counterparty. You are therefore exposed to counterparty risk and should the Bank become insolvent you may not be able to fully recover your investment, or at all. This also means that positions can only be closed with us, and are not transferable to any other provider. If you have multiple positions with the Bank, your risk is cumulative and not limited to one position.

This also means that prices and other conditions are set by us in accordance with our Best Execution Policy. More particularly, your ability to establish or close positions on a timely basis is not guaranteed.

Lastly, we advise you to carefully read the Key Investor Document (KID) before you enter into a CFD trade.

2.5 Foreign exchange (FOREX)

Nature

Foreign exchange may be traded in different ways, such as FX Spot, FX Forward or FX Options, or CFD on a currency pair.

FX Spot is the purchase of one currency against the sale of another for immediate delivery.

An FX option is a contract that gives the buyer the right, but not the obligation, to buy or sell a certain currency at a specified exchange rate on or before a specified date. For this right, a premium is paid to the seller. A purchaser of FX Options has a right to make a transaction in the underlying FX Spot currency pair on the expiry date if the price is more favourable than the market price at this time. On the other hand, a seller of options has an obligation to enter into a transaction with the Bank on the settlement date if requested by the purchaser.

FX Forward trading involves an obligation to make the agreed currency swap at an agreed price at a future settlement date.

Trading CFD on Forex allows you to speculate in the development of the price of one currency relative to another while trading on margin so as to benefit from leverage.

Key risks

The currency exchange market is the world's largest financial market with 24 hour trading all working days. It is characterised, among other things, by a relatively low profit margin compared to other products. A high profit is therefore subject to a large trading volume, which is achieved for instance by margin trading as described above.

Given that they have the same nature, CFD on Forex have the same risks as other CFD contracts, except for these related to the features of the underlying asset (currency pair).

FX Options involve a limited risk in the form of premium which is payable when the contract is made, while options that have been sold involve an unlimited risk in the form of changes to the price of the underlying FX Spot currency pair.

2.6 Convertible debt instruments

Nature

A bond instrument issued by a company that can be exchanged for shares of that company's common stock.

The price at which the instrument can be converted into shares is usually set when the instrument is issued and typically can be converted at any point up until maturity.

Convertibles combine the reliability of a debt instrument with the added upside of benefiting from any increase in the share value of the company.

Key risks

If an issuer is unable to meet its debt obligations, you may get back less than you invest or lose your initial investment. However, in the event of bankruptcy, bondholders will typically have a claim upon the assets of the issuer ahead of its shareholders.

A downgrade in the credit rating assigned to a bond or issuer can increase the yield commanded by the investor for investing in the bonds, leading to a lower price of the bond.

They are typically callable, which means the issuer can force conversion of the bond for a specified number of shares at a certain price.

2.7 Over the Counter Transactions (OTC)

Nature

A bilateral transaction in which two parties agree on how a particular trade or agreement is to be settled in the future; the transaction is not made on a regulated exchange or a multilateral trading facility. Examples of OTC are CFD, most Bonds and off-exchange transactions (in relation to stocks and shares not traded on a regulated market or exchange).

OTC transactions, in respect of stocks and shares, are not traded on any listed exchange as they do not meet the listing requirements of an exchange. That said, some companies do meet these listing requirements but still choose for stock in that company to remain tradable as an OTC. OTC stocks trade on the Over the Counter Bulletin Boards (OTCBB) or on the pink sheets.

Key risks

A counterparty to the transaction may default prior to expiration of the trade and will not make the current and future payments required by the contract (so called 'counterparty risk').

Because of the way OTC are traded, default by a counterparty in respect of one OTC contract may have a negative impact upon the wider OTC market and upon otherwise unrelated OTC contracts (so called 'systemic risk').

OTCBB stocks are either penny stocks or stocks where details on the issuer may be limited.

Transactions in OTC products may involve greater risk than investing in on-exchange products because there is no exchange or market on which to close out an open position. This means that market liquidity cannot be guaranteed and it may be difficult or 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. All CFD transactions are undertaken on a principal to principal basis, meaning that we are always your counterparty, so when you open a position with us, you can only close that position with us. Transacting in CFD does not entitle you to any right to the Underlying Product.

Sudden market movements in any underlying exchange or market, known as "gapping", may occur causing a dramatic shift in the price of the Underlying Product and therefore the price of the related CFD. Similarly, events may occur while any underlying exchange or market for an Underlying Product is closed - for example over a week-end or, more generally, outside the days on which we offer our services (the Business Days) - meaning the price when the underlying exchange or market re-opens may be at a significantly different level, and consequently the value of your OTC Transaction would also move significantly.

2.8 Exchange Traded Products (ETP)

Nature

Products which follow the price movements of an underlying asset and can gain exposure to a wide range of markets without the cost of investing directly.

There are three types of ETP: ETF, Exchange Traded Commodities (ETC) and Exchange Traded Notes (ETN). ETC and ETN do not have the same level of investor protection as European Union UCITS ETF.

ETP can have either a physical investment strategy (where the fund contains some or all of the shares or securities in the index being tracked) or a synthetic investment strategy (where special transactions, known as swaps, are used to track the price of the index).

Key risks

The use of complex financial techniques (including derivatives and swaps) means that these types of funds may not be suitable for all types of investors.

If the ETP does not hold the assets it is tracking then all or part of the money invested could be lost in certain circumstances.

The more an ETP invests in leveraged instruments then the more the losses on these investments will be magnified. For leveraged index-based ETP, the value of the ETP shares will tend to increase or decrease more than the value of any increase or decrease in its underlying index (so called 'leverage risk').

2.9 Nil Paid Rights

Nature

These are rights to subscribe for new shares provisionally allotted by an issuer under a rights issue subject to payment of the subscription price. "Nil Paid" refers to the fact that the amount payable on acceptance of the offer has not yet been paid. If the shareholder exercises the rights then they must pay for the shares they have been given the right to buy.

These rights are securities that can be traded in the market (known as dealing 'nil-paid').

Key risks

Rights purchased in the open market are short dated call options which can only be exercised within a limited period. The rights will expire worthless if not exercised within the given period.

2.10 Futures

Nature

Futures trading involves speculating on the price of a specific underlying asset going up or down in the future. A future gives the holder a standardised obligation to either buy or sell the underlying asset at a specified price at a certain date in the future. The underlying asset may, for instance, be raw materials, agricultural produce or financial products. Depending on the nature of the future, the asset either has to be settled for the price difference or by actual delivery at the settlement date.

Risks

Futures are always traded on margin. Futures are always traded on a regulated market, either by direct trading in the stock exchanges' trading systems, or by reporting of transactions.

As futures are margin traded, allowing you to take a larger position than you would otherwise be able based on your funds with the Bank, a relatively small negative or positive market movement can have a significant effect on your investment. Futures trading therefore involves a relatively high degree of risk. This makes the potential gain quite high, even if the deposit is relatively small. If your total exposure on margin trades exceeds your deposit, you risk losing more than your deposit.

2.11 Contract Options

Nature

A Contract Option gives you the right or the obligation to either buy or sell a specified amount or value of a particular underlying asset at a fixed exercise price, by the option being exercised either before or on its specified expiration date. A Contract Option which gives you the right to buy or the obligation to sell is a call option and a Contract Option that gives you the right to sell or the obligation to buy is a put option.

A Contract Option that is in the money on expiry will always be exercised. Contract Options are traded with the Bank as counterparty to the trades.

Key risks

Buyers and sellers of Contract Options should familiarize themselves with the type of option (i.e. put or call, bought or sold) they intend to trade and the associated risks. Option trading is highly speculative and is not suitable for all investors due to the risks involved.

Contract Options that give you the right to either sell or buy an underlying asset (bought Contract Options) might expire worthless and your initial investment (i.e., premium and transaction costs) will be lost.

Contract Options that give you the obligation to either sell or buy an underlying asset (sold Contract Options) can result in substantial (potentially unlimited) losses. If you sell a Contract Option, the risk involved is considerably greater than buying a Contract Option. You may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received. By selling a Contract Option, you accept a legal obligation to purchase or sell the underlying asset if the Contract 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 (when the options will be known as covered call options) the risk is reduced. If you do not own the underlying asset (uncovered call options) the risk can be unlimited.

To assure you will be able to cover losses on sold Contract Options, the Bank will define margin requirements. Nonetheless, potential losses can exceed the margin charged and you will be liable for these losses.

If your total exposure on margin trades exceeds your deposit, you risk losing more than your deposit. If the underlying asset of a Contract Option is a margin traded product (i.e. a derivative), and if the Contract Option is being exercised by the buyer, then the buyer (in case of a call option) or the seller (in case of a put option) of the Contract Option will acquire a position in the underlying margin traded product with associated risks as well as liabilities to provide margin.

2.12 Lombard loans / Lombard credit

Nature

A Lombard loan is a securities-backed loan. This financing tool enables investors to take advantage of new market opportunities without depleting their portfolios. In other words, investors don't have to sell their securities to be able to invest in others.

When stock markets show signs of high growth potential, a Lombard loan can expand your portfolio's range by enabling you to invest in new opportunities. It also offers investors the flexibility to use cash as needed without liquidating assets as long as they maintain sufficient level of equity in the account.

As for any credit, interest is charged on the borrowed funds for the period of time that the loan is outstanding.

Key risks

Lombard loans are closely tied to the financial markets and their inherent risks, but in addition to this, we also want to inform you about the specific risks associated with Lombard loans.

When considering a Lombard loan, you should determine how the use of margin fits your own risk tolerance and investment goals. It is important that you fully understand the risks involved using margin:

Leverage Risk. Leveraging means using margin to potentially increase returns compared to when investing on a cash-only basis. Being invested on margin when the market performs favourably allows investors to have greater gains than without margin. However, it is important to recognize that the value of your investments can decrease as well as increase. Leveraging exposes you to greater downside risk than paying for securities in full because your loan amount depends on the value of the collateral you pledge. If the securities acting as collateral for your margin loan lose value due to issuer risks and/or currency fluctuations, you will have to pledge additional assets as security or pay back the corresponding amount, regardless of the underlying value of the securities you purchased.

Interest Rate Risk. Like any other loan, you must repay your margin loan along with interest, regardless of the underlying value of the securities purchased. Keep in mind that it is possible that margin interest rates may fluctuate during the time you have an outstanding loan.

Margin Call Risk. The Bank can increase its margin maintenance requirements at any time without prior notice. If the equity in your account falls below the Bank's minimum margin requirements, the Bank will issue a margin call requiring you to deposit additional cash or acceptable securities. In this event, you are required to reply to this margin call by promptly bringing your account to the required collateral. It is the Bank's policy to attempt to contact you, when practicable, to notify you of a margin deficiency. However, the Bank can sell securities in your account, without prior notice, to cover any deficiency. Under certain conditions, you may not be entitled to an extension of time to meet margin requirements

Forced Liquidation Risk. If you fail to meet a margin call, the Bank may be forced to sell some or all of the securities in your account to protect its loan, with or without your prior approval. The Bank can liquidate securities to cover any margin deficiency and is not required to notify you before doing so. If you or the Bank liquidate securities to meet a margin call, your risks include unintended tax consequences from the sale of your securities, the possibility that the Bank might sell securities you preferred to hold, or that you may be unhappy with the price received for the sale. In the worst case, even after selling all your pledged assets, there may be an outstanding loan balance for which you will be liable to the Bank.

3. General risks of trading

As a general rule, you should not transact, unless you understand the nature of the transaction you are entering into and the exposure to risk.

You should therefore carefully consider whether that kind of trading is appropriate for you in the light of your experience, objectives, financial resources and other relevant circumstances.

Without being exhaustive, general risks of trading can be described as follows:

3.1 Risks of changes in net asset values or prices

This refers to the risk of changes in net asset values or prices in all financial markets. The price of a financial instrument is the result of the balance between supply and demand on the market. The price might be subject to unforeseen fluctuations involving risk of loss. Furthermore, the volatility historically displayed by a particular instrument may change over time, even without extreme conditions intervening.

3.2 Economic risk / Country risk / Transfer risk

Changes linked to economic cycles always have an impact on securities prices. Prices fluctuate in line with expectations of recession or economic growth. The length and scope of economic cycles vary over time, as does the repercussion on the different sectors of the economy. Moreover, economic cycles can vary from one country to another. Failure to take this into account or a wrong estimation of future economic trends when making an investment decision can result in losses. You must take into account the impact of economic conditions on interest rate trends and foreign exchange rates as well as on company earnings in the respective country.

Additionally, a country may default and/or suspend foreign exchange of its currency. In the event of a foreign currency crunch or restrictions on foreign transfers, you may not receive the payments to which you are entitled. You could also receive payments in a foreign currency that is no longer exchangeable due to foreign exchange restrictions. The political and economic climate in certain countries can also produce instability that can lead to the freezing of assets or restriction of rights.

3.3 Market liquidity and Volatility risks

Liquidity risk is the risk that you will not always be able to obtain an appropriate price when selling an asset, due to a lack of liquidity in the market. When financial instruments are impossible to sell or can only be sold with difficulty and at a sharply reduced price, the market is said to be illiquid. The markets for some underlying products may experience periods of decreased liquidity or even periods of illiquidity. This liquidity risk may affect all the participants in the market and will impact on the price of any Underlying Product and hence of the related derivatives (by significantly reducing the price). Some markets or sectors are extremely volatile meaning that the price of the Underlying Product will also be volatile.

3.4 Inflation risk

Inflation is measured by the rise in consumer prices. It corresponds to the loss of purchasing power over time. You lose purchasing power whenever inflation (of your national economy) exceeds the return on investment (coupons, dividends and capital gains). You should therefore base your trading decisions on the effective interest rate, i.e. the difference between the interest rate and inflation.

3.5 Execution risk

Execution risk is associated with the fact that trades may not take place immediately. When you request the execution of an order, it is possible that the market price of the Underlying Product could have changed between order placement and execution time, and therefore we cannot guarantee that the price requested will be the same as the price when the order is executed and a related transaction is confirmed.

Orders cannot be executed outside bank working days. This may cause considerable losses, specifically on CFD transactions.

Your open orders may also not be cancelled outside bank working days or outside the hours of operation of the trading platform. To limit losses, we provide you with a facility to choose 'stop loss' limits. These automatically close your position when it reaches a price limit of your choice. There are however circumstances in which a 'stop loss' limit is ineffective – for example, where there are rapid price movements, gapping (as described above), situations of illiquidity or market closure – and, in such circumstances, your position may be closed at a price which falls significantly outside the price limit chosen by you.

3.6 Foreign markets & Emerging markets risks

Foreign markets will involve different risks from the European 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 are securities markets in countries characterized by, among other things, a certain degree of political instability and relatively unpredictable financial markets. For example, many emerging markets lack a strong infrastructure, telecommunications are generally poor, and banks and other financial systems are not always well developed, well-regulated and well-integrated. These countries may also have considerable external debt which could affect the proper functioning of their economies with a corresponding adverse impact on the performance of their markets. Tax regimes may be subject to the risk of a sudden imposition of arbitrary or onerous taxes, which could adversely affect you.

3.7 Currency / Foreign exchange risk

Foreign exchange risk is the same for all financial instruments, whether they are money market instruments, bonds, equities or derivative products. Investors who purchase a financial instrument of a currency other than their reference currency are exposed to foreign exchange risk, i.e. the risk that the foreign currency will depreciate versus your reference currency. The purchase of a US or Asian stock on a European stock exchange does not avoid the foreign exchange risk. The price variations in Euro take into account the variation in the share price on the stock's main market as well as exchange rate fluctuations. You can use currency futures and put options to hedge against foreign exchange risk. The key factors influencing exchange rates are inflation and interest rate differences between one country and another, economic forecasts for the country in question, the political situation and the safety of the investment. In addition, psychological factors, such as lack of confidence in the government, can trigger speculations on a currency.

3.8 Leveraging risk / Transaction financed through loans

Purchases of securities financed through loans (such as Lombard loans) are associated with additional risks. Supplementary collateral may be required if the prices of the pledged assets move such that the credit limit guaranteed by the pledge is exceeded. If you are unable to provide the additional collateral, the Bank may be forced to sell the deposited securities at an unfavourable moment. Furthermore, the loss incurred due to an unfavourable movement in the price of a financial instrument may exceed your initial investment amount. Fluctuations in the prices of pledged securities may hinder your ability to repay the loans. You need to be aware that, due to the leverage factor accompanying the purchase of credit financed securities, the sensitivity to price fluctuations of such investments will be proportionally greater. As a consequence, chances for gain increase, as do risks of loss. The extent of those risks will depend on the amount of leverage associated with the investment: the greater the leverage, the greater the risks.

3.9 Clearing house protections risk

On many exchanges, the performance of a transaction by us (or third party with whom the Bank is dealing on your behalf) is 'guaranteed' by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover you and may not protect you if the Bank or another party were to default on obligations owed to you.

3.10 Information risk

This is the risk of making unfortunate investment choices through lack of information, or through incomplete or inaccurate information.

This may arise from you depending on unreliable sources, having a poor understanding of available information, or perhaps from failures in communication.

3.11 Initial Public Offerings (IPOs) / New Issues

When securities are newly issued, the market price is sometimes artificially maintained by the issuer during the period when a new issue is to be sold to the public. This is known as stabilisation and may affect not only the price of the new issue, but also the price of other securities relating to it.

3.12 Electronic trading risk

Our trading platforms are offered primarily via the internet, offering you the opportunity to trade and communicate with us via electronic means. 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.

3.13 Position monitoring risk

You are solely responsible for the management and monitoring of your open positions. The Bank is not responsible for monitoring positions on your account. You understand that, in order to minimise the risk of incurring substantial losses and to avoid the closure of your positions, you must access your account frequently to monitor your account and specifically the margin requirement on any open positions you may have.

3.14 Counterparty risk & risk related to the solvency of the issuer

Default by the counterparty or the issuer of financial instruments for a financial transaction (or of the settlement/clearing system on which the instruments are traded) can lead to the investor losing all or part of the funds invested. You must therefore take into consideration the quality of the issuer of the product in which he invests. The concept of rating (or credit scoring) should in this case very much be borne in mind in evaluating this risk, which is liable to change throughout duration to maturity, in particular for products with a long maturity.

3.15 Conflicts of interest risk

When the Bank deals with you, the Bank, an associate, a relevant person or some other person connected with the Bank may have an interest, relationship or arrangement that is material in relation to the Transaction/Order concerned or that conflicts with your interest. The Bank has a documented policy to identify, prevent and manage conflicts of interest and uses its best endeavours to avoid any conflict of interest arising. Where conflicts do arise, however, the Bank ensures a fair treatment to all our clients by disclosure, internal rules of confidentiality, declining to act, or otherwise. The Bank will not unfairly place its interests above yours. Please refer to our Conflicts of Interest Policy.