



# Terms of Business

## 1. Introduction

1.1 These Terms of Business (together with the annexes attached hereto) set out the Terms under which Turner Pope Investments (TPI) Limited (“TPI”, “we” or “us”) shall provide you with our services. Please read this carefully and ask us to explain any point not clear to you. These Terms of Business constitute a legal agreement between us (“the Agreement”) relevant to the services you indicate you require.

1.2 This Agreement will come into effect on the date that we receive and accept your application to open a trading account (“the application form”) and identification documents. The application form can either be in the form of a completed and signed hard copy application or else an online application which, through the submission process, confirms your agreement to these Terms of Business.

1.3 These Terms of Business shall supersede any prior agreement relating to the subject matter of this Agreement and together with any supplementary agreements entered into between you and us from time to time, shall represent the entire Agreement between you and us.

## 2. Regulatory Status

Turner Pope Investments (TPI) Limited is registered in England, no. 09506196, and has its principal place of business at 1<sup>st</sup> Floor, 5 Old Bailey, London, EC4M 7BA. TPI’s registered office is 550 Ley Street, Ilford, Essex IG2 7DB. We are authorised and regulated by the Financial Conduct Authority (“FCA”), 25 The North Colonnade, Canary Wharf, London E14 5HS, under firm reference no. 739104. Further details on TPI can be found at [www.turnerpope.com](http://www.turnerpope.com) and [www.fca.org.uk/register](http://www.fca.org.uk/register).

## 3. Applicable Regulations

3.1 These Terms and Conditions and all transactions are subject to Applicable Regulations. The term ‘Applicable Regulations’ means:

- a) the rules of the FCA including the Handbook issued by the FCA (“FCA Rules”) or any other rules of a relevant regulatory authority;
- b) the rules of a relevant stock or investment exchange; and
- c) all other applicable laws, rules and regulations as in force from time to time. This means that:
- d) if there is any conflict between these Terms and Conditions and any Applicable Regulations, the latter will prevail;
- e) nothing in these Terms and Conditions shall exclude or restrict any obligation which we have to you under any Applicable Regulations;
- f) we may take or omit to take any action we consider necessary to ensure compliance with any Applicable Regulations; and

g) such actions that we take or omit to take for the purposes of compliance with any Applicable Regulations shall not render us or any of our directors, officers, employees or agents liable to you.

3.2 You should be aware that we are required to cooperate with the LSE, the FCA, the Take-Over Panel and other regulatory authorities in their dealing and other enquiries. This may involve reporting or disclosing to such authorities relevant information in respect of dealings in securities, including the identity of our clients. In particular, the Money Laundering Regulations 2007 and related legislation require certain reporting and disclosure obligations.

#### **4. Client Categorisation**

4.1 We are required to classify you in accordance with the FCA's Conduct of Business Rules. We propose to treat you as an Elective Professional Client, in respect of designated investment business and ancillary services, unless we notify you separately that we plan to treat you as a Retail Client. If you are or we elect to treat you as a Retail Client, we would do so on an execution only basis. Subject to your right to request a different status as referred to below, we shall treat you in accordance with such classification for all purposes.

4.2 Different rules and different levels of protection apply to you depending on your client categorisation. If you are to be treated as an Elective Professional Client, a summary of the main differences between the treatment of Elective Professional Clients and Retail Clients is set out at Annex 1. If this applies to you, please read this carefully and take independent legal advice if you are unclear as to the basis for, or consequences of, client classification. Please also refer to Clause 8 which explains that your client classification affects the assumptions we can make as to your knowledge and experience in the course of assessing the suitability of certain investments or services for you.

4.3 If we categorise you as an Elective Professional Client, you agree to notify us immediately if you consider at any point that you would no longer fall within the definition of Elective Professional Client.

4.4 If you are categorised as an Elective Professional Client, you have the right to request re-categorisation as a Retail Client in order to benefit from a higher degree of regulatory protection.

4.5 If you are categorised as a Retail Client, you have the right to request re-categorisation as an Elective Professional Client, which will result in you receiving a lesser degree of regulatory protection and you will lose the protections and compensation rights to which a Retail Client is automatically entitled.

#### **5. Provision of Execution and Custody Services**

5.1 By entering into these Terms of Business you authorise us as your agent to enter into an agreement with Jarvis Investment Management Ltd ("Jarvis"), our clearing agent, in order that we can arrange for Jarvis to execute orders on your behalf. Acceptance of these Terms of Business will constitute the formation of a contract between you and TPI and between you and Jarvis. By accepting these Terms of Business you confirm that:

- a) we may arrange for Jarvis to provide you with settlement, safe custody, nominee and associated services;
- b) we may transmit your instructions to Jarvis; and
- c) you agree to be bound by our obligations to Jarvis and that your identification documents may be passed to Jarvis upon request.

5.2 Under these Terms of Business you will remain a customer of TPI, but you will also become a client of Jarvis for settlement and custody purposes only. TPI will act as your agent in arranging for Jarvis to execute your orders; Jarvis will not accept instructions directly from you.

5.3 Where there is more than one person who is party to a joint account under these Terms any instruction, notice, demand, acknowledgement or request may be given by any one of you, and any such communication will be treated as binding on the other(s). If you give us conflicting instructions, we will not have to act on them. Any notice given by us under these Terms to any participant in a joint account will be deemed to be notice to each person interested in the account. If you are a party to a joint account your liability will be joint and several. On the death of an individual, or dissolution (if applicable) of any one of you, we may treat the survivor(s) as the only person(s) entitled to your money and investments.

5.4 Your investments will be pooled with investments held for other investors. This means that your investments will not be identified by separate share certificates. If Jarvis defaults and, for example, is not holding enough investments to satisfy its obligations to all its investors, the investments will be shared out among them approximately in proportion to their holdings. This will not affect your other legal rights. Dividends, interest payments and cash entitlements due to you will be paid promptly to your account. Jarvis will accept dividends in cash unless they agree otherwise.

5.5 Jarvis is registered in England, company number 1844601 and has its registered and principal place of business at 78 Mount Ephraim, Royal Tunbridge Wells, Kent TN4 8BS. Jarvis is authorised and regulated by the FCA, under firm reference no. 116413, and is a member of the LSE. Further details can be found on Jarvis website and on the FCA website as referenced in Clause 2 and 5.2 above.

## **6. The services we will provide**

6.1 In order to provide you with our services, your attention is drawn to the TPI application form, which invites you to provide your investment objectives and your preferred level of risk. It is important to note that TPI focuses primarily on the provision of investments and services which are regarded as high risk products. Investments in high risk products should only be considered as suitable for high risk investors or as part of an overall balanced portfolio of investments. TPI has permission to provide advisory services and discretionary managed portfolio services to Professional Clients or Elective Professional Clients only. If you wish to take part in any investment placing or new issue in which we have obtained a participation, we will carry out a suitability assessment prior to providing this service to you. We can only provide an Execution-Only service to Retail Clients.

6.2 If you impose investment restrictions, this may mean that our standard recommendations cannot be followed. If you wish to amend your investment objectives or restrictions at any time you should contact us immediately in writing, and we will confirm our agreement to these amendments in writing. The amendment to your investment objectives or restrictions will not be effective until we confirm our agreement to the amendments in writing. If your financial circumstances or tax status should change it is important that you inform us immediately.

### **6.3 Execution-Only Service**

6.3.1 If you are designated as an execution-only client or if you have not supplied us with sufficient information (either orally or in writing) about your investment objectives, financial circumstances and the degree of risk you are prepared to accept or when, even though you have previously supplied us with information, we may reasonably believe that you are not expecting us to advise you about the merits of a particular transaction in a “non-complex” financial instrument (e.g. shares, fixed interest bonds and gilts and collective investments), then we will not make any personal or product investment recommendations. Nothing in our literature or in these Terms of Business should be treated as a solicitation or recommendation to buy, sell or maintain any product. We will action all instructions on an “execution-only” basis. This means that we are only able to act on the instructions that you provide. We cannot give you advice about what instructions you should give us. In the provision of an execution-only service for non-complex products, we are not required to assess the suitability of the instrument or service provided or offered and you will not, therefore, benefit from the protection of the FCA Rules on assessing suitability. You are responsible for the investment decisions that you make when you engage our services as an execution-only customer. We do not accept responsibility on a continuing basis for advising you on the composition of your portfolio.

6.3.2 If you have requested execution-only services in “complex” financial instruments (e.g. futures, options and warrants) we are required to assess whether it is appropriate for you to deal in each of the specific “complex” instruments. We may, therefore, request additional information relating to your experience and knowledge of trading the “complex” instrument(s) to assist us in assessing whether you understand the risks associated with dealing in them, in accordance with FCA rules.

If, upon reviewing the information provided, we consider that dealing in the “complex” financial instrument(s) is not appropriate for you, we shall inform you of same. If you still wish us to proceed with the transaction, we may require you to provide us with separate written instructions to act and if we agree to act for you in any event we will only do so at our absolute discretion.

#### 6.4 Advisory Service

6.4.1 We cannot provide you with advisory services unless you are a Professional Client or an Elective Professional Client of TPI. If we have agreed to provide you with an advisory service, we accept responsibility for advising you as to the merits of any particular investment based on the information supplied by you in the application form pertaining to your individual circumstances, requirements and objectives. We may provide you with investment advice on your request. Information supplied by you, via the application form should be updated as necessary before we give you advice on a particular transaction. If you do not inform us of any investment or types of investments, which you do not wish us to recommend or purchase for you, we may recommend to you any investments provided that we have reasonable grounds for believing that each investment product we do recommend is suitable and appropriate for you, in accordance with FCA rules.

6.4.2 We may provide you with advice, recommendations and research on an unsolicited basis. You agree to receive communications of this nature. If you decide to transact business on the basis of communications received from us, you accept that we have no obligation to advise you on a continuing basis with respect to investments purchased on the basis of our recommendations. You accept that it is your responsibility to contact us if you wish to seek advice on any recommendations we have made. Although we will endeavour to provide advice when you request it, you acknowledge that we are not obliged to do so.

#### 6.5 Discretionary Managed Portfolio Service

6.5.1 We can only provide a discretionary managed portfolio service for Professional Clients or Elective Professional Clients. If we have agreed to manage your account on a discretionary basis, we will act on your behalf in all matters relating to the investments we manage for you in accordance with the terms of and as defined in the separate discretionary client agreement you have signed.

6.6 We may arrange transactions on your behalf in the following investments:

- a) shares in British or foreign companies;
- b) debenture stock, loan stock, bonds, notes, certificates of deposit, commercial paper or other debt instruments including government, public agency, municipal and corporate issues;
- c) warrants to subscribe for investments falling within (a) or (b) above
- d) depository receipts or other types of instruments relating to investments falling within (a), (b) or (c) above;
- e) Options on investments falling within (a), (b) or (c) above provided the related transaction has no contingent liability;
- f) Options on investments falling within (a), (b) or (c) including options on an option;
- g) Futures on investments falling within (a), (b) or (c) above;
- h) Contracts for Differences (excluding a spread bet and a rolling spot forex contract);
- i) Spread Bets;
- j) Units in unit trusts, mutual funds and similar schemes (‘mutual funds’); and
- k) Investments, which are similar or related to any of these investments.

In respect of all of the above products, please refer to the risk warnings at Annex 2 "Product and Service Risk Disclosures".

6.7 When we accept your order, we will use reasonable endeavours to carry it out. However, we will not be liable for any loss or expense which you incur if we are unable to carry out an order for any reason (other than our negligence) or there is a delay or change in market conditions before the transaction is completed.

## **Communications**

7.1 All communications (including information, instructions and orders) between you, as client, and TPI will be made in English.

7.2 All contract notes, confirmations and other notices or communications under these Terms of Business will be despatched or transmitted to you at the address shown in our records and shall be conclusive and binding on you unless objection in writing is received by us within one business day from receipt by you.

7.3 We, TPI, an associate or our respective employees may communicate an unsolicited real time communication to you where we consider this to be appropriate. You agree that we may make such a communication.

## **8. Suitability**

8.1 In providing a discretionary managed portfolio service or giving investment advice to you, we are required by the FCA to obtain the necessary information from you regarding your knowledge and experience in the investment field relevant to the specific type of investment or service provided to you, your financial situation and your investment objectives in order to assess the suitability of our advice and of the transactions to be entered into by us on your behalf. In particular, we must obtain from you such information as is necessary for us to understand the essential facts about you and have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transactions to be recommended, or entered into in the course of managing: (a) meets your investment objectives; (b) is such that you are able to financially bear any related investment risks consistent with your investment objectives; and (c) is such that you have the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of your portfolio.

8.2 We are entitled to rely upon any information provided by you or by any other person with your authority unless we are aware that the information is manifestly out of date, inaccurate or incomplete. If you fail to provide any information requested by us, whether by reason of unwillingness or inability to provide such information or if you provide us with inaccurate information, we will not be able to provide you with investment advice or enter into any transactions on your behalf.

8.3 If we advise you that your proposed course of action is not suitable for you but you nevertheless wish to proceed with the transaction, we will only accept your order on an execution-only basis. In such circumstances, we will inform you at the time that we will execute your order on that basis. We may proceed with the transaction (subject to Applicable Regulations) even when you are acting contrary to our advice.

## **9. Appropriateness**

9.1 In providing services other than investment advice and discretionary portfolio management, we may be subject to an obligation under Applicable Regulations to assess the appropriateness of the contemplated product or service for you by determining whether you have the necessary experience and knowledge in order to understand the risks involved in relation to the specific type of product or service offered or demanded. In such circumstances, where on the basis of information received we consider that the contemplated product or service is not appropriate for you, we will provide you with a warning to that effect.

9.2 If you elect not to provide information to enable us to assess appropriateness, or if you provide insufficient information regarding your knowledge and experience, we will provide you with a warning to the effect that this will not allow us to determine whether the envisaged service or product is appropriate for you.

9.3 Where we have provided a warning described above and you ask us to proceed with the transaction, you agree and acknowledge that we may proceed with the transaction.

9.4 Please note, however, that we will not advise you about the merits of a particular transaction if we reasonably believe that, when you give the order for that transaction, you are not expecting such advice and are dealing on an execution-only basis. Where the transaction relates to non-complex financial instruments such as shares, bonds and UCITS, we will inform you at the time that we will execute your order on that basis and we will not be required to ensure that the transaction is suitable or appropriate for you. Please note therefore, that you will not benefit from the protection of the relevant FCA Rules requiring us to assess the suitability or appropriateness of the transaction for you. In the event that we provide you with execution-only services in relation to complex financial instruments, we are required to ensure that the transaction is appropriate for you. Where you on your own initiative instruct us to buy or sell or otherwise deal in a particular instrument or investment, we can accept no liability for the suitability of any such action or as regards any instruments or investments so held. Other than the obligation that we may owe under the Applicable Regulations to ensure that the transaction is appropriate for you, we shall accept no responsibility or liability for the performance of, monitoring of, advising on or dealing with, such investments in your account. In particular, but without limitation, we will not be deemed to be in breach of any investment parameters operating on your account to the extent that they are caused by such holding and shall not be liable for any subsequent decision either to sell, retain, or otherwise deal in such instrument or investment.

9.5 Where required under the Applicable Regulations, certain key facts about our services and the costs of our services with regard to regulated collective investment schemes will be separately provided to you. If we, acting in an advisory capacity, arrange or recommend a transaction for you in a collective investment scheme, you agree that the key features documents and/or a simplified prospectus need not be provided. Please note that we do not provide any financial planning advice.

## **10. Order Execution**

10.1 Best Execution: When executing orders on your behalf, placing orders with other entities for execution that result from decisions by us to trade when providing discretionary portfolio services or managed portfolio services, or receiving and transmitting orders to other entities for execution for your account, we will comply with our order execution policy (the "Execution Policy") as amended from time to time, information on which is set out in Annex 3 hereto. We have a best execution policy and the latest version of our Execution Policy is on our website at [www.turnerpope.com](http://www.turnerpope.com). You consent to the Execution Policy and consent to us effecting transactions on your behalf outside a regulated market or multilateral trading facility.

10.2 Client Limit Orders: When you place a limit order for shares traded on a regulated market you expressly instruct us that if the order is not immediately executed, we are not required to make the order public so as to be accessible to other market participants. All orders placed or executed on your behalf will be market orders unless you instruct us otherwise and as noted on trade confirmations.

10.3 Order Handling: We will execute your orders and other comparable client orders sequentially and promptly unless we consider that the characteristics of your order or prevailing market conditions make this impracticable or that your interests require otherwise.

10.4 Consent: We are required by the rules of the FCA to obtain your prior consent to our Execution Policy. You will be deemed to provide such consent when you first give an order after receipt of these Terms.

## **11. Potential Conflicts of Interest**

11.1 You acknowledge that when we process an instruction from you, we or a connected person or one or more of our clients may have a material interest in relation to the investment or transaction concerned. The conflicts of interest that we may have are likely to arise in a number of circumstances related to the nature of the business we undertake which are set out below:

11.1.1 We may have a corporate client which has already appointed us or intends to appoint us as their broker or agent or in some other capacity. We may have raised funds for or may be raising funds or be appointed to raise funds in the future for such corporate client via placings, rights issues or some other form of new issue. In such circumstances, the corporate client will usually pay us fees or commission for acting for them and may pay us ongoing retainer fees. If we are acting in such a capacity for a corporate client, we will declare these conflicts to you at the time of the placing, rights issue or other new issue.

11.1.2 We may deal or hold positions ourselves, on behalf of a connected person or on behalf of one or more of our clients in corporate clients where we are broker or placing agent or acting in some other capacity for the corporate client. We may arrange a placing, rights issue or some other form of new issue for such corporate client and/or we may participate in a placing, rights issue or new issue arranged by a third party for such corporate client. In such circumstances we will manage the conflicts of interest that we have or may have in accordance with our conflicts of interest policy, which is available on our website at [www.turnerpope.com](http://www.turnerpope.com). Any dealings we undertake would be undertaken in accordance with our conflicts of interest policy and will also be subject to our internal personal account dealing policy and our order aggregation and allocation policy. The conflicts of interest policy, personal account dealing policy and order aggregation and allocation policy are designed to ensure that in dealing or holding positions neither our clients nor we or a connected person are advantaged or disadvantaged.

11.1.3 We may deal or hold positions ourselves, on behalf of a connected person or on behalf of one or more of our clients in corporates where we are not a broker or placing agent or acting in some other capacity for the corporate client. We may participate in a placing, rights issue or some other form of new issue for such corporate arranged by a third party for such corporate client. In such circumstances we will manage the conflict of interests that we have or may have in accordance with our conflicts of interest policy, which is available on our website at [www.turnerpope.com](http://www.turnerpope.com). Any dealings we undertake would be undertaken in accordance with our conflicts of interest policy and will also be subject to our internal personal account dealing policy and order aggregation and allocation policy. The conflicts of interest policy, personal account dealing policy and order aggregation and allocation policy are designed to ensure that in dealing or holding positions neither our clients nor we or a connected person are advantaged or disadvantaged.

11.1.4 In certain circumstances where we are not acting for a corporate client, we may negotiate or we may have negotiated a fee payable to TPI in relation to the total participation of TPI and its clients in a placing, rights issue or other new issue. Such fee may be payable by the corporate whose shares are the subject of the transaction or by its financial advisor, broker or placing agent. In those circumstances that constitute, or may give rise to, a conflict of interest, TPI will endeavour to maintain and operate effective organisational arrangements to identify and fairly manage this between itself, its connected persons and its clients.

11.1.5 In any of the circumstances set out in 11.1.1 to 11.1.4 inclusive, we or a connected person(s) may receive shares and/or warrants in a company to which we are broker or placing agent or where we and/or one or more of our clients have participated in a new issue in consideration of our participation or services. In such circumstances we will manage the conflict of interest that we have or may have in accordance with our conflicts of interest policy, which is available on our website at [www.turnerpope.com](http://www.turnerpope.com). Any dealings we undertake would be undertaken in accordance with our conflicts of interest policy and will also be subject to our internal personal account dealing policy and order aggregation and allocation policy. The conflicts of interest policy, personal account dealing policy and order aggregation and allocation policy are designed to ensure that in dealing or holding positions neither our clients nor we or a connected person are advantaged or disadvantaged.

11.1.6 From time to time, we may organise investor events and presentations for or on behalf of corporates who may pay us fees or commissions in connection with those events.

The above examples are not exhaustive and there may be other circumstances in which conflicts of interest could or will arise.

11.2 In those circumstances that constitute, or may give rise to, conflicts of interest that could have a material risk of damage to the interests of one or more of our clients;

- a) we will decline to act; or
- b) we will inform you of the nature and type of conflict of interest before we undertake any business on your behalf that may give rise to this conflict. You will then be in a position to decide whether it is permissible for us to act for you in these circumstances. If you object to our acting for you, please notify the TPI Compliance Officer, in writing.

11.3 Such a conflict may arise because:

- a) we may deal in investments where a connected person is involved in a new issue, rights issue, takeover or similar transaction concerning the investment:
- b) we may match your transaction with that of another client or associate and receiving and retaining commission from both parties, or where the price of the transaction is different from the bid or offer price:
- c) we may trade or deal in investments purchased or sold by you.
- d) we may be executing a transaction for you where we have knowledge of other actual or potential transactions in the relevant investment.
- e) we may be acting as an adviser or broker or have other business relationships with the issuers (or any of its advisers) of any investment bought or sold by you or advising or acting as a broker to any person in connection with any relative merger, acquisition or takeover.

11.4 Further details of our conflicts of interest policy are available on our website at [www.turnerpope.com](http://www.turnerpope.com). Details of our order execution policy, execution venues and our order aggregation and allocation policy are set out in Annex 3 to these terms of business.

## **12. Aggregation of Orders**

We may aggregate your orders with the orders of other clients, associated companies or persons connected with us. We will do so only when we reasonably believe that it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated (e.g. when the automatic entry of single orders results in an aggregated order being executed). Aggregated orders and transactions will be allocated in accordance with our Aggregation and Order Allocation policy, details of which are set out in Annex 3 to these terms of business which provides for fair allocation of orders between clients and between clients and connected persons. You acknowledge that aggregation of orders may work to your disadvantage in relation to a particular order.

## **13. Your Money**

13.1 TPI does not handle client money and we cannot accept a cheque made out to TPI (unless it is a cheque in settlement of our charges) or handle cash.

13.2 Your money will be held as client money by our custodian Jarvis on your behalf and will be dealt with in accordance with the FCA (client money) rules, which requires them to hold your money in a client bank account, established with statutory trust status. Your money will be held by the approved bank with other clients' money in a pooled client account. Unless in settlement of an invoice for fees, in accordance with 13.1 above, all cheques should be made payable to Jarvis Investment Management Ltd and in addition your TPI account number should be written on the back of the cheque. Any stock held on your behalf will be held in the name of an authorised nominee account or a custodian appointed by Jarvis.

13.3 When you deal in investments overseas, you agree that we may hold your money at any approved bank or pass your money to an intermediate broker, settlement agent or counterparty outside the UK. In such circumstances, the legal and regulatory regime applying to the bank, broker, agent or counterparty with which your money is held will be different from that of the UK and in the event of a default of the bank, broker, agent



or counterparty your money may be treated differently from the position which would apply if the money was in the UK.

13.4 Any balances due to you which are unclaimed by you on an account which has not been active for six years will cease to be client money and may be paid to a registered charity. We or Jarvis will take reasonable steps to locate you and give you at least 28 days' notice should we intend to exercise these rights and should we do so we undertake to make good any valid claim that may be subsequently made against any balances we have retained in this way.

#### **14. Your Assets, Statements and Valuations**

14.1 Your investments will be pooled with those of our other clients which means that your individual entitlements may not be identifiable by separate certificates, other physical documents of title or equivalent electronic record and in the event of an irreconcilable shortfall after the failure of a custodian, clients may share that shortfall in proportion to their original share of the assets in the pool. In addition, pooled property may be used for the account of any of the relevant clients. Where your investments are held overseas there may be different settlement, legal and regulatory requirements from those applying in the UK together with different practices for the separate identification of your investments and your rights in the event of a default or insolvency may be different (and may be reduced).

14.2 We will provide you with a statement about your funds and investments at least once every six months or, if we are managing your investment portfolio on a discretionary basis, on request we will send you a hard copy periodic statement every three months. This will be based upon the mid-price of the investments held at the specified date and the balance of cash held on the account. You may obtain an up to date statement hard copy at any time, which will be chargeable. Clients will be able to access their statements at any time electronically by accessing their online account.

#### **15. Instructions**

15.1 You agree to check all the documentation that we send to you in relation to your instructions. If there are any errors, you must let us know immediately. If we notice that there is an error in the documentation that we have sent to you in relation to your instructions, we will re-issue correct documentation immediately. You agree to return the original incorrect documentation to us and to repay any overpayments we may have made to you.

15.2 If you fail to comply with 15.1 you may be committing a criminal offence. We will charge you interest on the overpayment and we will have the right to purchase replacement investments. You will pay for the investments and any costs.

15.3 If we are negligent and we fail to accurately carry out your instruction, we will aim to rectify the error by asking you to choose one of the options in 15.4 or 15.5 (as appropriate).

15.4 Instructions to buy an investment. We will either: -

- a) buy investments to put you in the position that you would have been in if we had carried out your instructions correctly, or
- b) pay you the difference between the price that should have been paid for the investment and the price that you actually paid.

15.5 Instruction to sell an investment. We will either:

- a) pay you the difference between the price that you obtained on the sale and the price that you should have obtained if we had carried out your instruction correctly, or
- b) if the value of the investment has risen from the price that you should have obtained, you can keep the investment so that you can sell it at the higher price.

15.6 You must take all reasonable steps to ensure the security of your account. We are not responsible for your acts or omissions, including losses arising from fraud, wilful neglect or negligence.

15.7 We cannot sell investments for you unless you have the right to sell them. In giving us an instruction to sell an investment you are confirming that you own or have the right to sell that investment.

15.8 We may rely on and treat as binding any instruction, which we have accepted in good faith, and which we believe to be from you or someone entitled to instruct us on your behalf.

15.9 We may accept instructions from you verbally or in writing. However, we may, entirely at our discretion, require any instructions given verbally to be confirmed in writing. In the case of a joint account we shall accept instructions in accordance with 5.3.

15.10 We may entirely at our own discretion accept limit orders from you. We may accept such orders on a 'fill or kill' basis or a 'good for the day' basis. We will use our reasonable endeavours to execute such orders, however, we do not guarantee that they will be executed even if the relevant price is met.

15.11 We may, at our discretion, decline to accept any order or instruction from you or instigate certain conditions prior to proceeding with your order.

15.12 We may acknowledge your instructions verbally or in writing (i.e. by post or email). Orders should be communicated to us verbally in the first instance. Post, email or voicemail orders will not be actioned until actually received and opened and will only be acknowledged and executed at the first reasonable opportunity following receipt on a trading day during normal trading hours.

15.13 We will assume you have received a communication from us 2 days after we post it to you by 1st class post, 5 days after we post it to you by 2nd class post, immediately if sent by fax or when it is received by your internet service provider if sent to you by email.

15.14 Both TPI & Jarvis reserve the right at any time to:

- a) refuse any instructions;
- b) limit the size or value of any instruction;
- c) impose any/or vary any dealing limit; and/or
- d) seek additional clarification or verification of instructions where we or Jarvis believe these are unclear. In particular, where investments are held in the name of another person, we may not act on your instructions until we have received satisfactory proof of your authority to deal for that other person.

15.15 You must send us any dividends or other benefits which you receive but are not entitled to, or when we claim them from you, in writing, we will then send them to the person who is entitled to them.

15.16 You will not be held responsible for deals placed using your account reference number if they have been placed after you have notified us of the loss, unauthorised use or disclosure of your details.

15.17 You agree to let us know immediately if you:

- a) lose or disclose your account reference number, or if it is stolen or if you find out that someone has used your account reference number without permission;
- b) do not receive confirmation by post that we have carried out your dealing instructions within three business days of you placing them;
- c) receive confirmation of a deal which you did not place.

## **16. Settlement**

16.1 Whenever we execute your order we will confirm the transaction by sending you a contract note in accordance with the FCA Rules showing amounts due to you or from you on the stated given settlement date and giving other essential details of the transaction.

16.2 In every case you are obliged to make available cleared funds to settle purchases on or before the settlement date, or if you are selling investments, to deliver to us the investments being sold at least two business days prior to the settlement date.

16.3 All transactions are undertaken with the object of actual settlement, we reserve the right not to settle transactions or accounts with you unless and until we have received all necessary documents or money.

16.4 All payments and (if they are not already held by Jarvis) all share certificates and other documents required to settle your transactions must be delivered by you in time for us to complete settlement promptly. Any amounts which you owe us and which we owe you in connection with any account you have with us may be set off against each other at any time and paid on a net basis without reference to you. Equally, any amounts due to be paid by you to Jarvis, or any other clearing agent with whom we deal on your behalf, may be set off by Jarvis or the clearing agent against any sum held by it on your behalf.

16.5 You agree that the basis of settlement shall be in accordance with the rules of the LSE or other relevant exchange on which the transaction is effected or as specifically agreed between you and us consistent with such rules.

16.6 If you fail, or we anticipate you will fail, to make timely payment of any amounts due to us, Jarvis or other clearing agent under this Agreement or fail to deliver any documents to us, Jarvis or other clearing agent when they are due, we and/or Jarvis or other clearing agent may, without reference to you:

- a) apply any cash or sell any securities held or controlled by us and/or the clearing agent; and
- b) repurchase (at your expense) any securities which have been sold by us on your behalf; or
- c) take any action in order to minimise any loss or anticipated loss arising directly or indirectly by your failure or anticipated failure. You agree to notify us as soon as reasonably practicable in the event you anticipate you will not be able to deliver any payments, share certificates and other documents necessary to settle any transaction.

Any such sales or repurchases may be effected by using our reasonable discretion. You will be liable to us for the repayment of any expenses (including legal fees) reasonably incurred by us in taking any action under this Clause 14. For the avoidance of doubt, this Clause 14 applies to any failure on your part to meet any payment obligations to us under this Agreement. This is without prejudice to any right of lien or set-off or other rights or remedies that we may have at law.

16.7 Should you fail to comply with your settlement obligations we, Jarvis or other clearing agent may exercise all or any of the rights we have to apply the additional charges as detailed within the relevant published commission rates.

## **17. Data Protection and Disclosure of Information**

17.1 For the purpose of data protection legislation, as amended from time to time, you agree that we, and our associates, may process personal data relating to you (using computer systems or otherwise) in carrying out our duties under these Terms;

17.2 We have certain responsibilities under FCA rules to verify the identity of clients and may need to make certain enquiries and obtain certain information from you for that purpose. You confirm that all information you supply will be accurate and you consent to us passing on such information, as we consider necessary to comply with any reporting requirements.

17.3 You agree that we, and our associates, may hold all the information you provide on computer for administration, marketing and risk assessment purposes. We will also disclose your personal information to Jarvis for the purposes of providing our services to you. We may also disclose your personal information to third

party credit reference agencies in order to search their files. Such credit reference agencies will record the search.

By agreeing to these terms, you consent to your personal information being used in this manner. If you do not wish your information to be used for marketing purposes, please inform us accordingly.

17.4 We may use, store or otherwise process personal information provided by you or us in connection with the provision of the services for the purposes of providing the services, administering your account or for purposes ancillary thereto, including, without limitation, for the purpose of credit enquiries or assessments.

17.5 The information we hold about you is confidential and will not be used for any purpose except as stated in these Terms. Information of a confidential nature will be treated as such provided that such information is not already in the public domain. Information of a confidential nature may be used in the following circumstances:

- a) where required by law or if requested by any regulatory authority or exchange having control or jurisdiction over us (or any associate);
- b) to investigate or prevent fraud or other illegal activity;
- c) to any third party in connection with the provision of services to you by us;
- d) for purposes ancillary to the provision of services or the administration of your account, including, without limitation, for the purpose of credit enquiries or assessments;
- e) if it is in the public interest to disclose such information; or
- f) at your request or with your consent.

17.6 By agreeing to these Terms of Business, you will be consenting to the transmittal of your data outside of the EU/EEA for the purposes outlined in 17.5 above.

17.7 In accordance with the Record Retention Statement below, you will not be at liberty to request the destruction or deletion of any record pertaining to yourself unless we are required to do so by force of law or other regulatory requirement. Under the Data Protection Act 1998 (the Act), and in order to facilitate our communications with you and our running of your affairs, you consent to our recording relevant personal information on our TPI's computer system and when necessary disclosing such information to third parties in carrying out your instructions. We will supply to you at your request, on payment of a fee, a copy of the data relating to you and will provide you with a description of the data and the purposes for which it is processed, and with details of the source of the data and any potential recipients of the data. In the first instance, you should direct any such request to us. You should let us know if you think any information we hold about you is inaccurate, so that we may correct it.

17.8 We may contact you about our products and services which we believe may interest you, unless you inform us otherwise in writing.

17.9 You agree we may record all telephone calls without your specific consent. These recordings shall remain our sole property and you agree that they will be conclusive in the case of any dispute that may occur.

17.10 In accordance with legal and regulatory requirements, we will retain your records, for a minimum period of six years following the termination of any relationship between us. This period may be extended by force of law, regulatory requirement or agreement amongst us.

## **18. Charges and Payments for Transactions**

18.1 Commission Rates – Before you begin to trade, you should ensure that you are fully aware 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 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.

18.2 Our charges will be in accordance with published commission rates in effect at the time the charges are incurred. A copy of TPI's published commission rates and charges is included in Annex 4. Commission rates and charges for other services that we provide will be notified to you before we provide you with the service. We may amend our fees, commissions and charges at any time by giving you adequate notice and by sending you an amended Commission and Charges Schedule. By accepting these Terms of Business you agree that we or Jarvis can deduct these charges from your account.

18.3 You will also be responsible for payment of any stamp and other duties, taxes of whatsoever nature, impositions and fiscal charges (in each case wherever in the world imposed), brokerage clearing and settlement fees, custody fees, transfer fees, registration fees and all other liabilities, charges, costs and expenses payable or incurred by us on your behalf and any applicable value added tax or similar charge.

18.4 We may impose certain additional charges as set out in our published rates which you shall be liable for in the event that you fail to comply with your obligations under these Terms. In particular, if you default in paying any amount when due, interest will be payable by you at the rate specified in TPI's published rates, and in addition you will be charged for each letter concerning your breach of your obligations.

18.5 If we should enter into a transaction on your behalf using the London Stock Exchange SETS trading system or any other trading system which imposes any liability on us (in whatever capacity) we reserve the right to make additional charges to reflect the additional risk we are incurring including (without limitation) a mark-up or mark-down on the price of the investment concerned (that is at a premium or discount to the amount at which we will actually purchase or sell the investment concerned). Should we do so you will be notified at the time and details of any additional charges will be shown on the contract note issued to you.

18.6 In addition to paying any commission and charges due to us you will reimburse us for any costs and expenses which we may incur which are directly attributable to you. These charges may include (without limitation) the costs of providing information to third parties (such as your accountants or auditors), valuations, or our involvement in legal proceedings brought against you.

## **19. Compensation**

We are covered by the Financial Services Compensation Scheme (FSCS). The FSCS maintains a fund that provides compensation, in certain circumstances, if a firm is unable to meet its liabilities to clients. Payments to eligible claimants under the scheme are limited to 100% of the first £50,000 per person, per firm.

Further information about the scheme and those that are eligible complainants under the scheme are available from the FSCS. You can contact the FSCS by post at 7<sup>th</sup> Floor, Lloyds Chambers, 1 Portsoken Street, London E1 8BN, by telephone on 020 7892 7300 or by email at [enquiries@fscs.org.uk](mailto:enquiries@fscs.org.uk). Their website address is [www.fscs.org.uk](http://www.fscs.org.uk).

## **20. Complaints**

Should you have a concern or complaint regarding the product or service you have received, and the matter cannot be resolved by the person you are dealing with, you should write to our Head of Compliance or email [compliance@turnerpope.com](mailto:compliance@turnerpope.com). Please send us the full details of your complaint together with any supporting documents and an explanation of what you want us to do.

We will endeavour to resolve your complaint as quickly as possible, but in any event we will acknowledge receipt of your letter within five business days. Our letter will include a leaflet outlining our complaints handling procedure which is also available on request.

If for any reason you are not satisfied that your complaint has been resolved fairly then, provided you are an 'eligible complainant' as defined by the FCA, you are entitled to refer the matter to the Financial Ombudsman Service (FOS), South Quay Plaza, 183 Marsh Wall, London E14 9SR or telephone 0845 080 1800. A leaflet detailing the procedure will be provided to you in our final response. TPI does not consent to any complaint being considered by the FOS where:

- a) it is more than six months since the final response was issued;

- b) it is six years or more after the event; or, if longer
- c) it is three years or more after the complainant should reasonably have been aware of the event leading to the complaint.

## **21. Cancellation and Termination**

21.1 You may cancel an agreement for any of our services within 14 days of commencement irrespective of any rights under the Distance Marketing Directive. Such notice of termination must be in writing and we will return to you your money or assets held by us. You should be aware that any reasonable out of pocket expenses, e.g. relating to the transfer of securities, will not be refunded. Also, if any investment transactions have been carried out, you will be liable for any price movement unless it involves a product which carries a right of cancellation which may apply.

21.2 Either party may terminate this Agreement at any time by giving the other notice in writing.

21.3 Any termination will be without prejudice to the completion of the outstanding transactions (including the closing out of open positions) and will be subject to the settlement of any outstanding transactions and the payment of any charges and other amounts due. These include: fees, commission, any expenses incurred by us in terminating these arrangements and losses and expenses realised in closing out any transactions or settling or concluding outstanding obligations incurred by us on your behalf.

## **22. Person Taxation**

Taxation is personal, complex and is subject to change. TPI does not offer tax advice and nothing in these Terms of Business is to be construed to constitute such advice. TPI accepts no liability for the tax consequences of advice provided to you. TPI will not provide or be responsible for the provision of any tax or legal advice. It is your sole responsibility to seek appropriate taxation and legal advice.

## **23. Governing Law**

These Terms of Business are governed by and construed in accordance with English Law and subject to the nonexclusive jurisdiction of the English Courts.

## **ANNEX 1**

### **CLIENT CATEGORISATION**

Were we to treat you as a Professional Client or an Elective Professional Client rather than a Retail Client, a number of FCA rules and protections will cease to apply to us. These will include, but may not be limited to:

#### **1. Disclosures**

You will not be given any of the additional disclosures required to be provided to Retail Clients (for example on costs, commissions, fees and charges and information on managing investments).

#### **2. Financial Promotions**

The FCA Rules impose detailed requirements on financial promotions directed at Retail Clients. Promotions directed at Professional Clients or Elective Professional Clients are simply subject to the high level requirement that they are fair, clear and not misleading.

#### **3. Appropriateness**

Where we assess whether a product or service is appropriate for you, we can assume that you have the necessary level of experience and knowledge to understand the risks involved in relation to any investment, service, product or transaction.

#### **4. Suitability**

Where we provide you with investment advice or investment management services, we can assume that you have the necessary experience and knowledge to understand the risks involved, and can sometimes assume that you are financially able to bear any investment risks consistent with your investment objectives.

#### **5. Best execution**

We would not be required to adhere to FCA rules that apply to Retail Clients in respect of the role of price and the delivery of best execution where there are competing venues. As a result, whilst we will always seek to deal at the best price available, you will not have the same protection as a Retail Client.

#### **6. Prompt execution**

We are not obliged to inform you of material difficulties relevant to the proper carving out of your order(s) promptly. However, it is our general policy that you would be informed if it is reasonable that we should do so.

#### **7. Periodic statements**

We are not obliged to provide you with specific information which must be provided to Retail Clients in any periodic statement sent to you.

#### **8. Investor Compensation Scheme**

You will not have the right to compensation under the Financial Services Compensation Scheme.

## **ANNEX 2**

### **PRODUCT AND SERVICE RISK DISCLOSURES**

#### **PART I: INTRODUCTION**

This Annex cannot disclose all the risks and other significant aspects of the products you may purchase, sell or subscribe for from or through us ("products"), but is intended to give you information on and a warning of the risks associated with them so that you are reasonably able to understand the nature and risks of the services and of the specific types of investment being offered and, consequently, to take investment decisions on an informed basis. Please note that certain risk disclosures may have been included for information purposes only as we may not be in a position to provide you with the product or service for regulatory or other reasons. You should also read any product/ transaction specific disclosures that may be included in any product/transaction specific documentation provided to you.

You must not rely on the guidance contained in this Annex as investment advice based on your personal circumstances, nor as a recommendation to enter into any of the services or invest in any of the products listed below. Where you are unclear as to the meaning of any of the disclosures or warnings described below, we would strongly recommend that you seek independent legal or financial advice.

You should not deal in these or any other products 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 independent advice in advance of any investment decisions.

Risk factors may occur simultaneously and/or may compound each other resulting in an unpredictable effect on the value of any investment. In any of the situations described below, the use of leverage (which has the effect of magnifying potential positive or negative outcomes) may significantly increase the impact on you of any of the risks described.

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 matters, including how the instrument is created, structured or drafted. The specific risks of a particular product or transaction will depend upon the terms of the product or transaction and the particular circumstances of, and relationships between, the relevant parties involved in such product or transaction. 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 aware of the guidance set out below:

## **PART II: PRODUCTS AND INVESTMENTS**

Set out below is an outline of the major categories of risk that may be associated with certain generic types of Financial Instruments, which should be read in conjunction with Parts III and IV.

### **1 Shares and other types of equity instruments**

1.1 General: A risk with an equity investment is that the company must both grow in value and, if it elects to pay dividends to its shareholders, make adequate dividend payments, or the share price may fall. If the share price falls, the company, if listed or traded on-exchange, may then find it difficult to raise further capital to finance the business, and the company's performance may 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 III below. In addition, there is a risk that there could be volatility or problems in the sector that the company is in. If the company is private, i.e. not listed or traded on an exchange, or is listed but only traded infrequently, there may also be liquidity risk, whereby shares could become very difficult to dispose of.

1.2 Ordinary shares: ordinary shares are issued by limited liability companies as the primary means of raising risk capital. The issuer has no obligation to repay the original cost of the share, or the capital, to the shareholder until the issuer is wound up (in other words, the issuer company ceases to exist). In return for the capital investment in the share, the issuer may make discretionary dividend payments to shareholders which could take the form of cash or additional shares.

Ordinary shares usually carry a right to vote at general meetings of the issuer.

There is no guaranteed return on an investment in ordinary shares for the reasons set out in 1.1 above, and in a liquidation of the issuer, ordinary shareholders are amongst the last with a right to repayment of capital and any surplus funds of the issuer, which could lead to a loss of a substantial proportion, or all, of the original investment.

1.3 Preference shares: Unlike ordinary shares, preference shares give shareholders the right to a fixed dividend the calculation of which is not based on the success of the issuer company. They therefore tend to be a less risky form of investment than ordinary shares. Preference shares do not usually give shareholders the right to vote at general meetings of the issuer, but shareholders will have a greater preference to any surplus funds of the issuer than ordinary shareholders, should the issuer go into liquidation.

1.4 Depositary Receipts: Depositary Receipts (ADRs, GDRs, etc.) are negotiable certificates, typically issued by a bank, which represent a specific number of shares in a company, traded on a stock exchange which is local or overseas to the issuer of the receipt. They may facilitate investment in the companies due to the widespread availability of price information, lower transaction costs and timely dividend distributions. The risks involved relate both to the underlying share (see 1.1 - 1.3 above) and to the bank issuing the receipt. In addition, there are important differences between the rights of holders of ADRs and GDRs, (together, "Depositary Receipts") and the rights of holders of the shares of the underlying share issuer represented by such Depositary Receipts. The relevant deposit agreement for the Depositary Receipt sets out the rights and responsibilities of the depositary (being the issuer of the Depositary Receipt), the underlying share issuer and holders of the Depositary Receipt which may be different from the rights of holders of the underlying shares. For example, the underlying



share issuer may make distributions in respect of its underlying shares that are not passed on to the holders of its Depositary Receipts. Any such differences between the rights of holders of the Depositary Receipts and holders of the underlying shares of the underlying share issuer may be significant and may materially and adversely affect the value of the relevant instruments. Depositary Receipts representing underlying shares in a foreign jurisdiction (in particular an emerging market jurisdiction) also involve risks associated with the securities markets in such jurisdictions.

1.5 Penny shares: There is an extra risk of losing money when shares are bought in some smaller companies, including penny 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.

## **2 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 could result in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile.

The right to subscribe for any of the investment products listed in 1 above or 3 or 4 below which a warrant confers, is invariably limited in time, with the consequence that if the investor fails to exercise this right within the predetermined time-scale, the investment becomes worthless.

If subscription rights are exercised, the warrant holder may be required to pay to the issuer additional sums (which may be at or near the value of the underlying assets). Exercise of the warrant will give the warrant holder all the rights and risks of ownership of the underlying investment product.

A warrant is potentially subject to all of the major risk types referred to in Part III 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 6.3 below.

## **3 Money-market instruments**

A money-market instrument is a borrowing of cash 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 4 below), money-market instruments may be exposed to the major risk types in Part III below, in particular credit and interest rate risk.

## **4 Debt Instruments/Bonds/Debentures**

All debt instruments are potentially exposed to the major risk types in Part III below, in particular credit risk and interest rate risk.

Debt securities may be subject to the risk of the issuers inability to meet principal and /or 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 credit worthiness of the issuer, general market liquidity, and other economic factors, amongst other issues. When interest rates rise, the value of corporate debt securities can be expected to decline. Fixed-rate transferable debt securities with longer maturities/lower coupons tend to be more sensitive to interest rate movements than those with shorter maturities/higher coupons.

## 5 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 III 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 may be risks on the underlying assets held by the scheme and investors are advised, therefore, to check whether the scheme holds a number of different assets, thus spreading its risk. Subject to this, investment in such schemes may reduce risk by spreading the investors investment more widely than may have been possible if he or she was to invest in the assets directly.

The reduction in risk may be achieved because the wide range of investments held in a collective investment scheme can reduce the effect that a change in the value of any one investment may 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 and, depending on the investment decisions made, a collective investment scheme may be exposed to many different major risk types.

The valuation of a collective investment scheme is generally controlled by the relevant fund manager or the investment adviser (as the case may be) of the collective investment scheme. Valuations are performed in accordance with the terms and conditions governing the collective investment scheme. Such valuations may be based upon the unaudited financial records of the collective investment scheme and any accounts pertaining thereto. Such valuations may be preliminary calculations of the net asset values of the collective investment schemes and accounts. The collective investment scheme may hold a significant number of investments which are illiquid or otherwise not actively traded and in respect of which reliable prices may be difficult to obtain. In consequence, the relevant fund manager or the investment adviser may vary certain quotations for such investments held by the collective investment scheme in order to reflect its judgement as to the fair value thereof. Therefore, valuations may be subject to subsequent adjustments upward or downward. Uncertainties as to the valuation of the collective investment scheme assets and/or accounts may have an adverse effect on the net asset value of the relevant collective investment scheme where such judgements regarding valuations prove to be incorrect.

A collective investment scheme and any collective investment scheme components in which it may invest may utilise (inter alia) strategies such as short-selling, leverage, securities lending and borrowing, investment in sub-investment grade or non-readily realisable investments, uncovered options transactions, options and futures transactions and foreign exchange transactions and the use of concentrated portfolios, each of which could, in certain circumstances, magnify adverse market developments and losses. Collective investment schemes, and any collective investment scheme components in which it may invest, may make investments in markets that are volatile and/or illiquid and it may be difficult or costly for positions therein to be opened or liquidated. The performance of each collective investment scheme and any collective investment scheme component in which it may invest is dependent on the performance of the collective investment scheme managers in selecting collective investment scheme components and the management of the relevant component in respect of the collective investment scheme components.

In addition, the opportunities to realise an investment in a collective investment scheme is often limited in accordance with the terms and conditions applicable to the scheme and subject to long periods of advance notice (during which the price at which interests may be redeemed may fluctuate or move against you). There may be no secondary market in the collective investment scheme and therefore an investment in such a scheme may be (highly) illiquid.

## 6 Derivatives

Including options, futures, swaps, forward rate agreements, derivative instruments for the transfer of credit risk, financial contracts for differences The risks set out in 6.1 - 6.5 below may arise in connection with all types of

derivative contract, whether it is in the form of a listed instrument, an OTC instrument, or a securitised product such as a note or a certificate.

6.1 Derivatives Generally: A derivative is a financial instrument, the value of which is 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. A premium may also be payable to acquire the derivative instrument.

There are many types of derivative, but options, futures and swaps are among the most common. An investor in derivatives often assumes a high level of risk, and therefore investments in derivatives should be made with caution, especially for less experienced investors or investors with a limited amount of capital to invest.

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, including potentially the requirement to provide margin. Off-exchange derivatives may take the form of unlisted transferable securities or bi-lateral "over the counter" contracts ("OTC"). Although these forms of derivatives may be traded differently, both arrangements may be subject to credit risk of the Issuer (if transferable securities) or the counterparty (if OTCs) and, like any contract, are subject also to the particular terms of the contract (whether a one-off transferable security or OTC, or a master agreement), as well as the risks identified in Part III below. In particular, with an OTC contract, the counterparty may not be bound to "close out" or liquidate this position, and so it may not be possible to terminate a loss-making contract. Off-exchange derivatives are individually negotiated. As the terms of the transactions are not standardised and no centralised pricing source exists (as exists for exchange traded instruments), the transactions may be difficult to value. Different pricing formulas and financial assumptions may yield different values, and different financial institutions may quote different prices for the same transaction. In addition, the value of an off-exchange derivative will vary over time and is affected by many factors, including the remaining time until maturity, the market price, price volatility and prevailing interest rates.

Derivatives can be used for speculative purposes or as hedges to manage other investment or economic risks. In all cases the suitability of the transaction for the particular investor should be very carefully considered.

You are therefore advised to ask about the terms and conditions of the specific derivatives and associated obligations (e.g. the circumstances under which you may become obligated to make or take delivery of an underlying asset 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 III below, especially market risk, credit risk and any specific sector risks connected with the underlying asset.

6.2 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 for you. 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 and if you fail to, the contract may be terminated. See, further, 1 and 2 of Part IV below.

### 6.3 Options: There are many different types of options with different characteristics subject to the following conditions.

**Put option:** a put option is an option contract that gives the holder (buyer) of the option the right to sell a certain quantity of an underlying security to the writer of the option at a specified price (the strike price) up to a specified date (the expiration date).

**Call option:** a call option is an option contract that gives the holder (buyer) the right to buy a certain quantity of an underlying security from the writer of the option, at a specified price (the strike price) up to a specified date (the expiration date).

**Buying 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 must acquire the future. This will expose you to the risks described under 'futures' and 'contingent liability' investment transactions. 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.

**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 in 6.2 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.

Depending on the type of option entered into, there may be increased exposure to market risk (see Part III: Generic Risk types, paragraph 4 – Market Risk below) when compared to other financial products. There are several option styles including (but not limited to) American-, European- and Bermuda-style. An American-style option may be exercised at any time prior to its expiration. A European-style option may only be exercised on a specific date, its expiration date. A Bermuda-style option may be exercised on certain specified dates during the term of the transaction.

If you buy an American-style call option and the relevant market price of the underlying asset never rises above the strike price on the option (or if you fail to exercise the option while such condition exists), the option will expire unexercised and you will have lost the premium you paid for the option. Similarly, if you buy an American-style put option and the relevant market price for the underlying asset does not fall below the option strike price (or if you fail to exercise the option while such condition exists), the option will not be exercised and you will have lost the premium you paid for the put option.

Purchasing European-style or Bermuda-style options may carry additional market risk since the option could be "in-the-money" for part or substantially all of the holding period but not on the exercise date(s). A call option is "in-the-money" if the strike price is lower than the relevant market price for the underlying asset.

A put option is “in-the-money” if the strike price is higher than the relevant market price for the underlying asset.

It is even possible for the holder of an exercised, “in-the-money” option to lose money on an option transaction.

Such a situation exists whenever the value received under the option fails to exceed the purchaser’s costs of entering into the option transaction (the premium and any other costs and expenses).

If you are a potential writer of an option, you should consider how the type of option affects the timing of your potential payment and delivery obligations thereunder. As the writer of a European-style option, the timing of any payment and delivery obligations is predictable. Absent early termination, no settlements will be necessary prior to the expiration date. As the writer of an American-style option, however, you must be certain that you are prepared to satisfy your potential payment and delivery obligations at any time during the exercise period (possibly quite soon following the sale of the option).

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 effect 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.

6.4 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 of an exchange, as well as equity, currency and interest rate swaps, amongst others. 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 in 6.2 and 6.3 above. Transactions in contracts for differences may also have a contingent liability.

6.5 Swaps: A swap agreement is a derivative where two counterparties exchange one stream of cash flows against another stream, calculated by reference to an “underlying” (such as securities indices, bonds currencies, interest rates or commodities, or more intangible items).

A swap agreement may also be combined with an option. Such an option may be structured in two different ways. On the one hand, “swaptions” are transactions that give the purchaser of the swaption the right, against payment of a premium, to exercise or not to exercise, until the agreed maturity date, its right to enter into a pre agreed swap agreement. On the other hand, “caps”, “floors” and “collars” enable a party, against payment or receipt of a premium, to protect itself against, or to take an exposure on, the variation on the value or level of an underlying.

A major risk of off-exchange derivatives, (including swaps) is known as counterparty risk, whereby a party is exposed to the inability of its counterparty to perform its obligations under the relevant Financial Instrument. For example 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 utilising standardised swap documentation to cover swaps trading over a broad range of underlying assets. As a result, the swap market for certain underlying assets has become more liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap.

## 7 Combined Instruments/Baskets

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

generally, although certain combined instruments may contain risk mitigation features, such as principal protected instruments.

The value of a basket of products (such as shares, indices etc.) may be affected by the number and quality of reference assets included in such basket. Generally, the value of a basket that includes reference assets from a number of reference asset issuers or indices will be less affected by changes in the value of any particular reference asset included therein than a basket that includes fewer reference assets, or that gives greater weight to some reference assets included therein. In addition, if the reference assets included in basket are concentrated in a particular industry, the value of such a basket will be more affected by the economic, financial and other factors affecting that industry than if the reference assets included in the basket are in various industries that are affected by different economic, financial or other factors or are affected by such factors in different ways.

### **PART III: GENERIC RISK TYPES**

#### **1 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, amongst other things, 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 risk types set out below could have an impact on each type of investment:

#### **2 Liquidity**

The liquidity of an instrument is directly affected by the supply and demand for that instrument and also indirectly by other factors, including market disruptions (for example a disruption on the relevant exchange) or infrastructure issues, such as a lack of sophistication or disruption in the securities settlement process. Under certain trading conditions it may be difficult or impossible to liquidate or acquire 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, unless the contract terms so provide, a party may not have to accept early termination of a contract or buy back or redeem the relevant product and there may therefore be zero liquidity in the product. In other cases, early termination, realisation or redemption may result in you receiving substantially less than you paid for the product or, in some cases, nothing at all.

#### **3 Credit Risk**

Credit risk is the risk of loss caused by borrowers, bond obligors, guarantors, or counterparties failing to fulfil their obligations or the risk of such parties' credit quality deteriorating. Exposure to the credit risk of one or more reference entities is particularly relevant to any credit linked product such as credit linked notes, and the potential losses which may be sustained, and the frequency and likelihood of such losses occurring, when investing in credit links products may be substantially greater than when investing in an obligation of the reference entity itself.

#### **4 Market Risk**

- 4.1 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, sector, political and economic factors. These can be totally unpredictable.
- 4.2 Overseas markets: Any overseas investment or investment with an overseas element can be subject to the risks of overseas markets which may involve different risks from those of the home market of the investor. In some cases the risks will be greater. The potential for profit or loss from transactions on foreign markets or in overseas denominated contracts will be affected by fluctuations in overseas exchange rates.
- 4.3 Emerging Markets: Price volatility in emerging markets, in particular, can be extreme. Price discrepancies, low trading volumes and wide pricing spreads can be common and unpredictable movements in the market 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, market infrastructure, legal certainty and regulation found in more developed markets. For example, these markets might not have regulations governing market or price 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 sector, economic and political risk. It may be difficult to employ certain risk and legal uncertainty management practices for emerging markets investments, such as forward currency exchange contracts or derivatives. The impact of the imposition or removal of foreign exchange controls at any time should be considered, as well as potential difficulties in repatriation of assets. The risks associated with nationalisation or expropriation of assets, the imposition of confiscatory or punitive taxation, restrictions on investments by foreigners in an emerging market, sanctions, war and revolution should also be considered.

## **5 Clearing House Protections/Settlement Risk**

On many exchanges, the performance of a transaction may be “guaranteed” by the exchange or clearing house. However, this guarantee is usually in favour of the exchange or clearing house member and cannot be enforced by the client who may, therefore, be subject to the credit and insolvency risks of the firm through whom the transaction was executed. There is, typically, no clearing house for off-exchange OTC instruments which are not traded under the rules of an exchange (although unlisted transferable securities may be cleared through a clearing house).

Settlement risk is the risk that a counterparty does not deliver the security (or its value) in accordance with the agreed terms after the other counterparty has already fulfilled its part of the agreement to so deliver. Settlement risk increases where different legs of the transaction settle in different time zones or in different settlement systems where netting is not possible. This risk is particularly acute in foreign exchange transactions and currency swap transactions.

## **6 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 a bond or of the counterparty to off-exchange derivatives (where the risk relates to the derivative itself and to any collateral or margin held by the counterparty).

## **7 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 favourable or an unfavourable 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.

## **8 Interest Rate Risk**

Interest rates can rise as well as fall. A risk with interest rates is that the relative value of a security, especially a bond, will worsen due to an interest rate increase. This could impact negatively on other products. There are additional interest rate related risks in relation to floating rate instruments and fixed rate instruments; interest income on floating rate instruments cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of floating rate instruments at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the relevant instruments provide for frequent interest payment dates; investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

Changes in market interest rates have a substantially stronger impact on the prices of zero coupon bonds than on the prices of ordinary bonds because the discounted issue prices are substantially below par. If market interest rates increase, zero coupon bonds can suffer higher price losses than other bonds having the same maturity and credit rating.

## **9 Commodity Risk**

The prices of commodities may be volatile, and, for example, may fluctuate substantially if natural disasters or catastrophes, such as hurricanes, fires or earthquakes, affect the supply or production of such commodities. The prices of commodities may also fluctuate substantially if conflict or war affects the supply or production of such commodities. If any interest and/or the redemption amount payable in respect of any product is linked to the price of a commodity, any change in the price of such commodity may result in the reduction of the amount of interest and/ or the redemption amount payable. The reduction in the amount payable on the redemption of an investment may result, in some cases, in you receiving a smaller sum on redemption of a product than the amount originally invested in such product.

## **10 Regulatory/Legal/Structural Risk**

All investments could be exposed to regulatory, legal or structural 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 type of laws and regulations with which investors are familiar in the EEA 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 an overseas 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 overseas courts.



In the case of many products, there will be no legal or beneficial interest in the obligations or securities of the underlying reference entity but rather an investor will have a contractual relationship with the counterparty only and its rights will therefore be limited to contractual remedies against the counterparty in accordance with the terms of the relevant product.

In all cases the legal terms and conditions of a product may contain provisions which could operate against your interests. For example, they may permit early redemption or termination at a time which is unfavourable to you, or they may give wide discretion to the issuer of securities to revise the terms applicable to securities. In other cases, there may be limits on the amounts in relation to which rights attaching to securities may be exercised and in the event that you hold too many (or too few) securities, your interests may be prejudiced and should scrutinise these carefully. In some cases, the exercise of rights by others may impact on your investment. For example, a product such as a bond or note may contain provisions for calling meetings of holders of those bonds or notes to consider matters affecting their interests generally (including yours) and may permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Further, in some cases amendments may be made to the terms and conditions of bonds or notes without the consent of any of the holders in circumstances set out in general conditions attaching to such bonds or notes.

## **11 Operational Risk**

Operational risk, such as breakdowns or malfunctioning of essential systems and controls, including IT systems, can impact on all financial products. Business risk, especially the risk that the business is run incompetently or poorly, could also impact on shareholders of, or investors in, such a business. Personnel and organisational changes can severely affect such risks and, in general, operational risk may not be apparent from outside the organisation.

## **PART IV: TRANSACTION AND SERVICE RISKS**

### **1 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.

### **2 Collateral**

If you deposit collateral as security with a 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 regulated market (see 4 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.

2.1 Effect of absolute title transfer: Where your collateral is subject to total title transfer to us, you should note that:

- a) the assets cease to be your assets and you will no longer have a proprietary claim over them. They will not be held subject to the rules of the applicable regulator in safe custody (where they are financial instruments) or subject to client money protection (where they are cash). The assets become our assets and we can deal with them in our own right;
- b) you will have an unsecured contractual claim against us for re-transfer of equivalent assets;  
and
- c) as a result, the assets will not be subject to a trust or otherwise insulated in our insolvency. And, in such event, you may not receive back everything so transferred to us and you will only rank as a general creditor.

### **3 Short sales**

Selling “short” means to sell financial instruments that you do not own at the time of the sale. The seller has an obligation to deliver the product sold at the settlement date which will generally be a few days later than the trade date, so he will either go into the market to buy the relevant financial instruments for delivery or he will “borrow” the relevant financial instruments under a stock lending arrangement (for further detail on this see 11 below).

Short selling is a technique used by investors who want to try to profit from the falling price of a financial instrument. If the price of the financial instrument drops after the investor has sold short (in other words at the time when he is buying or borrowing the relevant financial instruments for delivery), the investor will make a profit. If however the price of the financial instrument rises after the investor has sold short, the investor will have automatically made a loss, and the loss has the potential to get bigger and bigger if the price of the financial instrument continues to rise before the investor has gone into the market to buy or borrow the financial instrument to settle the short sale.

### **4 Off-Exchange Transactions**

FCA has categorised certain exchanges as recognised or designated investment exchanges. A list of these exchanges can be found on the FCA website. Transactions which are traded elsewhere may be exposed to substantially greater risks.

### **5 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.

### **6 Commissions/Transaction costs**

Before you begin to trade, you should obtain details of all commissions and other charges for which you must be liable.

When products are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the products. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value.

To the extent that additional domestic or foreign parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, you must take into account

that you may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of products (direct costs), you must also take into account any follow-up costs (such as custody fees). You should inform yourself about any additional costs incurred in connection with the purchase, custody or sale of an investment before investing. The effect of transaction costs (for example on a new issue of securities) may result in the issue price of such securities falling below the market value when trading starts.

## **7 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) 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
- b) 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 securities 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.

## **8 Deposited Cash and Property**

You should familiarise 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.

## **9 Stabilisation**

Transactions may be carried out in securities where the price may have been influenced by measures taken to stabilise it.

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. Regulations allow stabilisation 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.

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:

- a) limit the period when a stabilising manager may stabilise a new issue;
- b) fix the price at which he may stabilise (in the case of shares and warrants but not bonds); and
- c) require him to disclose that he may be stabilising but not that he is actually 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, nor of the price at which they are prepared to buy the securities.

## 10 Non-readily realisable investments

Both exchange listed and traded and off-exchange investments may be non-readily realisable. 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.

## 11 LIFFE: Exclusion of Liability

Euronext LIFFE is the derivatives arm of the pan-European stock exchange Euronext.

- a) Business on the London International Financial Futures (“LIFFE”) market operated by LIFFE may from time to time be suspended, restricted or closed for such period as may be determined in the interests of maintaining a fair and orderly market in accordance with the Rules of LIFFE. Any such action may result in your broker, when acting on your behalf, being prevented from, or hindered in, entering into Transactions in accordance with the Rules of LIFFE.
- b) Inter alia, business on the market may from time to time be suspended or restricted or the market may from time to time be closed for a temporary period or for such longer period as may be determined in accordance with LIFFE’s Rules on the occurrence of one or more events which require such action to be taken in the interests of, inter alia, maintaining a fair and orderly market. Any such action may result in your broker, acting on your behalf, being unable to enter into contracts in accordance with LIFFE’s Rules. Furthermore your broker, acting on your behalf, may from time to time be prevented from or hindered in entering into contracts in accordance with LIFFE’s Rules as a result of a failure of some or all market facilities. We would also like to draw the following exclusion of liability to your attention. Unless otherwise expressly provided in LIFFE’s Rules or in any other agreement to which the Exchange is party, the broker and the Exchange shall not be liable to you for loss (including any indirect or consequential loss including, without limitation, loss of profit), damage, injury or delay, whether direct or indirect, arising from any of the circumstances or occurrences referred to above or from any act or omission of the Exchange, its officers, employees, agents or representatives under LIFFE’s Rules or pursuant to the Exchanges obligations under statute or from any breach of contract by or any negligence howsoever arising of the Exchange, its officers, employees, agents or representatives.
- c) LIFFE has a number of powers which, if exercised, may impact upon the brokers ability to submit an order on behalf of you or which may lead to the cancellation of an order after submission to the LIFFE CONNECT™ Trading Host prior to execution. In particular, in addition to the powers already available to LIFFE (including those in relation to investor protection and proper markets), you should be aware that, in respect of LIFFE CONNECT™:
  - LIFFE has the power to suspend our access, or access via a particular ITM or ITMs, following a single warning, and to terminate our access under certain conditions;
  - LIFFE will cancel all outstanding orders on our default;
  - orders outside the price limits will be rejected automatically by the Trading Host;
  - all orders (with the exception of GTC orders) will be cancelled automatically at Market Close or when the ITM under which the order was submitted is logged out without the order being transferred to an alternative ITM;

- all orders (including GTC orders) will be cancelled at close of business on the Last Trading Day of the expiry month to which they relate; and
- all orders (with the exception of GTC orders) will be cancelled automatically if the Trading Host fails.

For the purposes of this paragraph 11, the terms “GTC order”, “ITM”, “Last Trading Day”, “LIFFE CONNECT™”, “Market Close” and “Trading Host” shall have the meanings ascribed to them in the LIFFE Rules.

## 12 Stock lending/Repo’s

The effect of lending (or repo’ing) securities to a third party is to transfer title to them to the borrower (or repo purchaser) for the period that they are lent (or repo’ed). At the end of the period, subject to default of the borrower (or repo purchaser), the lender (or repo seller) receives back securities of the same issuer and type. The borrower’s (or repo purchaser’s) obligation to transfer equivalent securities is secured against collateral (which is usually transferred by a title transfer mechanism pursuant to market standard agreements). There is, accordingly, credit risk. Lending (or repo’ing) securities may affect your tax position.

## 13 Strategies

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

## PART V: PROFESSIONAL DISCLOSURES

This Part V of the Risk Disclosure Annex will not apply to you unless you have been classified as a Professional Client or Elective Professional Client.

Please note that we will send you regular reports on the services we provide to you and will include in those reports the costs associated with the transactions and services we undertake for you.

We may provide you with services in relation to all types of financial instruments, including:

1. transferable securities
2. money market instruments
3. units in collective investment undertakings
4. options, futures, swaps, forward rate
5. agreements and any other derivatives contracts relating to:

commodities, whether cash and/or physical settled and whether or not traded on a regulated market and/or MTF climatic variables, freight rates, commission allowances or inflation rates or other official economic statistics derivative instruments for the transfer of credit risk financial contracts for differences other derivative contracts.

We will send you a confirmation of each transaction undertaken for you promptly after entering into that transaction with or for you. We will promptly send you the essential information concerning the execution of the order.

In deciding to deal with us in such product generally, and in any particular case, you will have already assessed the risks involved in those products and in any related services and strategies which, in any particular case may (as relevant) include any of, or a combination of any of, the following:

- credit risk
- market risk

- liquidity risk
- interest rate risk
- FX risk business, operational and insolvency risk
- the risks of OTC, as opposed to on-exchange, trading, in terms of issues like the clearing house 'guarantee', transparency of prices and ability to close out positions
- contingent liability risk
- regulatory and legal risk

In relation to any particular product or service there may be particular risks which are drawn to your attention in the relevant terms sheet, offering memorandum or prospectus.

You must not rely on the above as investment advice based on your personal circumstances, nor as a recommendation to enter into any of the services or invest in any of the products listed above. Where you are unclear as to the meaning of any of the above disclosures or warnings, we would strongly recommend that you seek independent legal or financial advice.

### **ANNEX 3**

#### **ORDER EXECUTION POLICY & EXECUTION VENUES**

Turner Pope Limited ("TPI") is required to establish and implement an order execution policy and to provide appropriate information on this to its clients. This information about TPI's order execution policy is provided to you as a client of TPI save that in accordance with COBS 11.2 Best Execution does not apply to Eligible Counterparty business.

#### **General Principles**

When executing orders relating to financial instruments on your behalf, TPI will take all reasonable steps to achieve best execution. This means that TPI will have in place policies and procedures that are designed to obtain the best possible execution result, subject to and taking into account the following:

- The nature of you as a client
- Your client classification
- The characteristics of your order;
- The priorities you may place upon TPI in filing those orders;
- The financial instruments that are the subject of the order
- The execution venues to which that order can be directed

TPI will take into consideration a range of different factors which are set out in more detail below. In taking this range of factors into account, TPI will always seek a result that provides, in TPI's view, the best possible result.

TPI's commitment to provide you with best execution does not mean that it owes you any fiduciary or other responsibilities over and above the specific regulatory obligations placed upon TPI or as may be otherwise contracted between you and TPI.

#### **Order Execution Policy Disclosure**

TPI owes a duty of best execution when executing orders on your behalf. TPI considers itself to be in receipt of an order when an execution instruction is given to it that gives rise to a contractual or agency obligation to you. Specifically, this will be the case when you commit to a trade that is not immediately

executable, leaving discretion with TPI as to the manner of the execution and the exact terms of the resulting transaction, or where TPI executes an order as agent or riskless principal on your behalf.

This policy, in providing you with best execution is to exercise the same standards and operate the same processes across all different markets and financial instruments on which TPI executes your orders. However, the diversity in those markets and instruments means that different orders that you place with TPI may take account of different factors when TPI assesses the nature of its execution policy in the context of different financial instruments and different markets. For example, there is no formalised market or settlement infrastructure for over-the-counter transactions. In some markets, price volatility may mean that the timeliness of the execution is a priority, whereas, in other markets that have low liquidity, the fact of execution may itself constitute best execution (even to the fact that there may only be one platform/market upon which we can execute your order) because of the nature of your order or of your requirements.

### **Order Execution and Allocation Policy**

From time to time TPI directors, registered representatives, employees, consultants and other connected parties of TPI may participate in rights issues, placings or other new issues where TPI is acting as broker or placing agent to a company or where TPI has arranged a participation in such issue by one or more of its clients. In addition, TPI directors, registered representatives, employees, consultants and other connected parties of TPI may trade in shares of any such company at the same time as one or more of TPI's clients or at other times. Any such participation or trading will be conducted in accordance with and subject to TPI's internal personal account dealing procedure and its conflicts of interest policy. In all such instances, TPI directors, registered representatives, employees, consultants and other connected parties of TPI will be treated on the same basis as clients of TPI insofar as compatible with those procedures, policies and TPI's legal and regulatory obligations. When building a book in relation to a new issue in which one or more TPI clients is participating, if TP receives a full allocation of its order, all client and connected party orders will be satisfied in full. Where less than a full allocation of its order is received, allocations to clients and TPI connected parties will be made on a pro rata basis to the respective client's or connected person's desired order size. When dealing through TPI, if multiple client and TPI connected person orders in the same stock with the same price limit exist, TPI will aggregate those orders and deal according to our best execution policy. If aggregated orders cannot be executed in their entirety on a given trading day, clients and TPI connected persons will receive an allocation of the order on a pro rata basis at the end of the trading day and any order balance will be placed in the market for execution the next trading day, subject to the same allocation policy. Orders will remain good until 4.30pm on the last trading day of each week and then closed if incomplete or not otherwise previously cancelled or withdrawn.

### **Execution Factors**

Subject to any specific instructions from you, when executing an order on your behalf or transmitting them to another entity for execution, TPI will take into full account the following execution factors into account:

- Price;
- Speed;
- Likelihood of execution or settlement;
- Size of the order;
- Cost of the transaction;
- Nature of the order including complexity;
- Any other consideration relevant to the efficient execution of the order.

TPI acknowledges that price will generally merit a high relative importance when obtaining the best possible result, but we will also take into account the following criteria when determining the relative importance of the execution:

- The characteristics of the client;

- The characteristics of the client order;
- The characteristics of financial instruments which are the subject of the order;
- The characteristics of the execution venues to which that order can be directed.

### **Execution Venues**

In meeting its obligations to take all reasonable steps to obtain on a consistent basis the best possible result for the execution of your orders, TPI may use one or more of the following venue types when executing orders on your behalf:

- Regulated Markets;
- Other exchanges that are not Regulated Markets;
- Multilateral Trading Facilities (MTF);
- Third party investment firms, brokers, and/or affiliates acting as Market Maker or other liquidity providers; and/ or non EU entities performing similar functions.

This list is not exhaustive and TPI may use other venues from time to time when it is in the best interests of the client. You should note that, where you have provided your express consent, some of your order may be executed outside a Regulated Market or MTF (even where that order could be executed through a Regulated Market or MTF).

### **Specific Instructions**

To the extent that you provide TPI with a specific instruction in relation to your order, orders or any part of that order, including selecting to execute on a particular venue, in following your instructions, TPI will be deemed to have taken all reasonable steps to provide the best possible result in respect of that order or any aspect of that order. If you require that your order be executed in a particular manner and not in accordance with this policy, you must clearly state your desired method of execution when you place the order. To the extent that the specific instructions are not comprehensive, TPI will determine any non-specific components in accordance with this policy.

However, please note that any specific instructions from you may prevent TPI from following the procedures it has designed and implemented in this policy to achieve the best possible result for you in respect of the elements covered by those instructions.

### **Monitoring and Review**

TPI will monitor the effectiveness of both its order execution arrangements and its order execution policy with a view to identify and, where appropriate, correct any deficiencies. TPI will assess whether the execution venues included in the order execution policy provide the best possible result for you or whether TPI needs to make changes to its execution arrangements. TPI will notify you of any material change to its order execution arrangements or order execution policy via our website [www.turnerpope.com](http://www.turnerpope.com)

## **ANNEX 4**

### **Turner Pope Investments (TPI) Limited - Commission and Charges Advisory and Execution Only - commission scale on equities:**



Minimum Commission	£50.00
2.0% on transaction values between	£1 - £10,000
then 0.5% on the balance between	£10,001 - +

A 'Settlement and Compliance' charge of £10 is added to all transactions.

Examples of the commission and charges payable in relation to transactions are set out below:

*Example 1: A client wishes to sell shares in Company X with a total value of £10,000*

Commission payable = £10,000 x 2.0%	=	£200
Settlement and compliance charge	=	£ 10
<b>Total commission and charges payable</b>	=	<b>£210</b>

*Example 2: A client wishes to sell shares in Company X with a total value of £50,000*

Commission payable = £10,000 x 2.0%	=	£200
Plus £40,000 x 0.5%	=	£200
Settlement and compliance charge	=	£ 10
<b>Total commission and charges payable</b>	=	<b>£410</b>

**Placings, pre-placings and IPOs are charged at a discretionary rate of up to 5% and a £100 administration charge.**

Examples of the commission and charges payable in relation to a placing, pre-placing or IPO are set out below:

*Example 1: A client wishes to acquire shares in a placing by Company Y with a total value of £25,000*

Commission payable = £25,000 x 5.0%	=	£1,250
Administration charge	=	£ 100
<b>Total commission and charges payable</b>	=	<b>£1,350</b>

*Example 2: A client wishes to acquire shares in Company Y's IPO with a total value of £50,000*

Commission payable = £50,000 x 5.0%	=	£2,500
Administration charge	=	£ 100
<b>Total commission and charges payable</b>	=	<b>£2,600</b>

## Statutory Charges

Stamp Duty	Levied at 0.5% of the total consideration value on purchases of UK equities and convertibles. Stamp duty may also be applicable to transactions in certain overseas securities where local rates apply. Stamp duty does not apply to AIM shares.
PTM levy	Panel on Takeovers and Mergers levy £1 on buys and sells over £10,000.

## Other Charges

Cheque/BACs cash withdrawal fee	£15
CHAPS withdrawal fee	£25
Late settlement fee	£50
Unpaid cheque fee	£20
Stock certification (per line of stock)	£20
Stock transfers out (per line of stock)	£15
ISA/SIPP account fee (per plan per annum)	£100
ISA closure fee	£50
Standard account fee (per account, per annum)	£100
Valuations	£7.50

All charges are subject to VAT at the prevailing rate with the exception of Dealing Commission, which is exempt. In certain circumstances additional fees or charges may apply (refer to our Terms of Business).

**Late Payment Fees & Overdraft Charges**

A late settlement fee and/or overdraft interest may be charged by Jarvis if you fail to hold sufficient cleared funds on account or otherwise fail to make any payment in full on or before the due date for payment. Payment in full to Jarvis shall not be deemed to be made until Jarvis have received cleared funds in respect of the full amount outstanding. For this purpose, please be aware that cheque payments require 4 business days to clear and debit card payments

take 2 business days to clear. Cheques should be made payable to Jarvis Investment Management – please write your account number on the back of the cheque.

Overdraft charges may be applied by Jarvis on any overdrawn balances and are calculated at the published unauthorised overdraft rate charged by HSBC Bank Plc. Overdraft interest accrued each calendar month will be applied to the account at the end of the calendar month. No interest will be paid on credit balances.

**Important Tax Information**

Any income or dividends derived from your investments will be regarded as part of your Taxable Income. Any gains (or losses) you make on investments will form part of the calculation of your Capital Gains Tax position. Investments also form part of your estate and are therefore relevant in the calculation of your Inheritance Tax position upon death.

**DECLARATIONS**

I/We understand that, for my/our own benefit and protection I/we agree to TPI’s Terms of Business including, but not limited to, the risk warnings and disclosures, the order execution policy and the commission and charges. I/We understand that I/we will be bound by these Terms of Business and if I/we do not understand any point then I/we should ask for further information before signing and returning this application form.

Signed..... Date.....

Signed..... Date.....

.....  
First Applicant Name

.....  
Second Applicant Name (Joint accounts only)



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