Information concerning Risks connected with Investments in Financial Instruments and Risk Disclosure Statement

Financial markets are subject to volatility and may move against your expectations and holdings. All securities transactions involve various types of risks. It is vital to study the characteristics of the different types of financial instruments before you make an investment since the opportunities and risks vary with different types of financial instruments and combinations. Prior to giving us any transaction order, it is very important that you familiarise yourself with the characteristics and risks of the transaction and review your financial ability to bear the losses that could ensue.

There is always a risk that the value of equities might fall drastically or those investments lose their value entirely. The value of bonds is dependent upon the ability of the issuer to repay its debt as well as on interest rate fluctuations. Furthermore, investments, which are denominated in a given currency, are subject to the risk that the value of that currency will change in relation to other currencies.

Past performance does not guarantee future performance. There is always a risk to lose an investment and there is no absolute protection against the risk of bankruptcy or insolvency of the issuer of securities and/or counterparty(ies) to structured, synthetic or derivative products.

Certain transactions involve greater risks than investing in equities or bonds. Trading in e.g. structured or synthetic products, reversed convertibles, reversed floaters, warrants or other derivatives as well as forward foreign exchange transactions may pose increased and more complex risks.

Leverage Effect

Financing investments with loans, which are, in turn, covered (or "collateralised") by securities will increase the risks. This is a method of investing used to boost returns because of the leverage effect of borrowing. However, it is important to understand that purchasing securities on this basis may lead to important losses on the investments if the market moves against your expectations and holdings. It is possible that the total liability may exceed the original investment. The risk will be increased should there be a cross-currency exposure where the loan and the securities are not in the same currency. If the value of the securities holdings decreases, you may be required to take certain actions such as providing additional collateral or selling existing holdings.

National and Political Risks

The economies of individual countries may differ from each other and issuers and/or investors are, in general, subject to varying regulations and legal systems. Accordingly, investing in foreign securities and, to a greater exent, in emerging markets may involve additional risks: Nationalisation, expropriation, confiscatory taxation, currency blockage, political changes, government regulations, political or social instability could all affect adversely the economy of a country or the investments made in such country.

The text below provides a brief information of risks associated with investments in certain financial instruments.

The financial market is constantly developing new financial instruments. The description below is thus not a comprehensive account of existing or possible forthcoming instruments. It is always necessary to study carefully the distinctive character of the financial instrument you are considering to choose for investment.

Should you wish to discuss any matter relating to the above, you are most welcome to contact your private banker.

1. Trading in financial instruments

Financial instruments, i.e. items such as shares in limited companies and equivalent participation rights in other types of companies, bonds, deposit certificates, fund units, money market instruments, financial derivative instruments or other such securities that may be subject to trading on the capital market, are primarily traded in organised format via a trading venue. Trading takes place through the securities companies that participate in trading at the trading venue. As a customer, you must usually contact a securities company of this type in order to buy or sell financial instruments.

1.1 Trading venues and systematic internalisers

"Trading venues" refers to regulated markets and the two types of trading facilities: multilateral trading facility (MTF) and organised trading facility (OTF). Customer trading can also be performed via a securities company acting as a systemic internaliser (SI), or otherwise by trading against the securities company's own stock or another customer.

Various types of financial instruments are traded on a regulated market. In terms of shares, only shares in public companies can be listed and traded on a regulated market, and there are stringent requirements for such companies, including in regard to the company's size, activity history, spread of ownership and public accounting for the company's finances and activities.

An MTF can be described as a trading system which is organised and provided by a stock exchange or a securities company. Lower requirements in terms of, say, provision of information and activity history are typically set for financial instruments traded on a trading platform compared with financial instruments traded in a regulated market.

An OTF is similar to an MTF in many ways. But only financial instruments that are not shares or share-related securities, such as bonds and derivatives, may be traded on an OTF. The OTF may also have more relaxed rules for trading including matching orders than those for regulated markets and MTFs.

A systematic internaliser (SI) is a securities company which, on an organised, frequent and systematic basis, deals on own account by executing customer orders outside a regulated market or a trading platform. A systemic internaliser is obliged to publish market-related offers, i.e. for buy and sell prices, for liquid financial instruments traded on a trading platform and for which the systemic internaliser carries out systemic internal trading.

Trading can also take place through a securities company without it being a systemic internaliser, by executing a customers order against the institution's own account or against orders from other customers of the institution.

Organised trading also takes place in other trading venues, such as First North and Nordic MTF (both MTFs). For more information about where your particular securities company executes your orders, see the relevant policy for best execution.

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Trading on regulated markets, trading venues and other venues creates a second-hand market for financial instruments that a company has already issued. If the second-hand market works well, i.e. it is easy to find buyers and sellers, and offer prices from buyers and sellers are continuously listed, as well as closing prices (settled prices) from completed transactions, companies also have the advantage that it is easier to issue new instruments as necessary, thereby injecting more capital into the company's activities. The first-hand, or primary market, is the market in which newly issued instruments are bought or subscribed for.

1.2 Trading/quotation lists

Trading venues usually divide shares into different lists, which are published in various places such as on the trading venue website, in daily papers and in other media. Factors that determine the list on which a company's shares are traded may be the company's stock exchange value (e.g. the Stockholm Stock Exchange's Large, Mid and Small caps). The most frequently traded shares may also appear on a separate list. Certain securities companies also publish their own lists of financial instruments that are traded via the institution, rates at which instruments are traded, etc., via their website. Shares on lists with stringent requirements and high turnover are generally regarded as lower risk than shares on other lists.

Information about rates, etc. regarding shares and other types of financial instruments such as fund units, options and bonds, are also regularly published in venues such as trading venue websites, daily papers and other media.

2. Risks associated with financial instruments and trading in financial instruments

2.1 General information about risks

Financial instruments can produce a return in the form of a dividend (shares and funds) or interest (interest-bearing instruments). The price (the rate) of the instruments may also rise or fall relative to the price at the time of investment. In the following description, the word "investment" includes negative positions (negative holdings) which are assumed for the instrument; cf. for example the information about short selling in section 8, below. The overall return is the total of the dividend/interest and change in price for the instrument.

Obviously, investors are looking for a positive overall return, i.e. one which produces a profit – ideally as high a profit as possible. But there is also a risk that the overall return will be negative: in other words, the investment makes a loss. The risk of losses varies depending on the instrument. The potential for profit on an investment in a financial instrument is generally linked to the risk of making a loss. The longer the investment is held, the greater the potential for profit or risk of loss. In the context of investment, the word "risk" is sometimes used to express both risk of loss and potential for profit. In the following description, however, the word "risk" is used solely to denote risk of loss. There are various ways of investing that reduce risk. In general, it is better not to invest in one financial instrument or just a few instruments, but instead to invest in several different financial instruments. These instruments should then help to spread the risks, rather than concentrating them so that they can all be triggered simultaneously. Spreading investments in foreign markets also generally reduces the overall portfolio risk, although trading in foreign financial instruments does incur currency risk.

Investments in financial instruments are associated with financial risk, which will be described in more detail in this information. The customer is responsible for risk, and so must personally read and learn about the conditions that apply to trading in such instruments in the form of general terms and conditions, fact sheets, prospectuses and so on, and about the nature of and risks associated with the instruments, via their appointed securities company or through their representative asset manager. The customer must also regularly monitor his or her investments in such instruments. This applies even if the customer received investment advice at the time of investment. The customer should be prepared to take action quickly if this turns out to be necessary to protect his or her interests, for example, by liquidating investments that are moving in a negative direction, or by pledging additional security for investments financed by loans for which the security value has fallen.

It is also important to bear in mind the risk that trading in financial instruments via a trading venue other than a regulated market may involve, since requirements for these are generally less strict.

2.2 Types of risk, etc.

A range of risk types and other factors should be taken into account and weighed up in connection with the risk assessment that should be performed both when you make an investment in financial instruments and continuously during the investment period. Some of the most common types of risk are described in brief below.

Market risk – the risk that the entire market or parts thereof in which your investment is invested will go down.
Credit risk – the risk that a party such as an issuer or counterparty will be unable to pay.
Price volatility risk – the risk that major fluctuations in the price of a financial instrument will negatively affect the investment.
Price risk – the risk that the price of a financial instrument will go down.
Tax risk – the risk that taxation rules and/or tax rates are unclear or will change.
Currency/exchange rate risk – the risk that a foreign currency to which a holding relates (e.g. fund units in a fund invested in American securities listed in USD) will be weakened.
Leverage risk – the structure of a derivative instrument that means there is a risk that the price of the underlying asset will have a substantial negative impact on the price of the derivative instrument.
Legal risk – the risk that relevant laws and regulations are unclear or will change.
Company-specific risk – the risk that a particular company does less well than expected or is affected by a negative event, and the financial instruments linked to the company will thus fall in value.
Industry-specific risk – the risk that a particular industry does less well than expected or is affected by a negative event, and the financial instruments linked to companies in the industry will thus fall in value.
Liquidity risk – the risk that you will be unable to sell or buy a financial instrument at a time when you wish to.
Interest rate risk – the risk that the financial instrument you have invested in goes down in value due to changes in the market interest rate.

3. Shares and share-related instruments

3.1 General information about shares

3.1.1 Shares and limited companies

Shares in a limited company entitle the owner to a share in the company's equity.

If the company makes a profit, it generally issues a dividend on the shares. Shares also entitle holders to voting rights at the general meeting of shareholders, the highest decision-making body in the company. The more shares the investor owns, the greater his or her share in the capital, dividend and votes. Voting rights may vary depending on the class to which the shares belong. Companies may be either public or private.

Only the shares of public companies may be traded via a trading venue.

3.1.2 Share price

The price of a share is directly affected by offers or demand for the relevant share, which, at least in the long term, is in turn guided by the company's future outlook. The value of a share goes up and down primarily due to the investors' analyses and judgement of the company's potential for future profit. Future developments in the world at large in regard to economic trends, technology, legislation, competition, etc. determine demand for the company's products or services, and are therefore crucial to the change in the company's share price.

The current interest situation also plays a substantial role in pricing. If market interest rates go up, interest-bearing financial instruments that are issued at the same time (new issues) produce a better return. The price of shares that are regularly traded then normally goes down, as does that of interest-bearing instruments of already in circulation. This is because the increased return on the newly issued interest-bearing instruments will be better in relative terms than the return on shares or interest-bearing instruments already in circulation. Share prices are also negatively affected if the interest on the company's debts increases as market interest rates go up, thus reducing the company's potential for profit.

Other conditions directly associated with the company, such as changes to the company's management and organisation, production problems, etc. can also negatively affect the company. In the worst case scenario, limited companies may do so poorly that they go bankrupt. The share capital, i.e.

the capital paid in by shareholders, is the capital that is used first to pay the company's debts. This generally results in the company's shares becoming worthless.

The prices on certain major foreign regulated markets or trading venues may affect prices in different jurisdictions, partly because many companies are listed with several trading venues and prices are aligned between the trading venues. The share prices of companies in the same industrial sector are often affected by changes in the share price of other companies within the same sector. This can also apply to companies in other countries.

Market players have different needs when it comes to investing cash (liquid assets) or obtaining liquid assets. They also frequently have differing opinions on how prices should perform. These conditions, which also include how the company is valued, contribute to the fact that there are both buyers and sellers. If, on the other hand, investors are in accord in their perceptions of price developments, they will either buy, triggering buying pressure from lots of buyers, or sell, thus triggering selling pressure from lots of sellers. The price goes up when there is buying pressure, and down with selling pressure.

The turnover, i.e. the number of a particular share that are bought and sold, also affect the share price. A high turnover reduces the difference (also known as the spread) between the price buyers are prepared to pay (the buy rate) and the price sellers demand (the sell rate). A share with a high turnover, in which large amounts can be turned over without having a significant impact on the price, has good liquidity and is therefore easy to buy and sell. Companies listed on regulated markets often have higher liquidity. Different shares may demonstrate different volatility in prices during the course of a day or a longer period, i.e. increases and decreases as well as the proportionate price changes.

The prices at which shares have been traded (settled rates), e.g. the highest/lowest/most recently paid that day, last listed buy and sell rates, and further information on traded volume are published in most major daily newspapers and on various websites maintained by trading venues, securities companies and media companies such as Text-TV. These price details may vary in terms of how up-to-date they are depending on the publishing medium.

3.1.3 Share classes

Shares come in different classes, primarily A and B shares, generally having to do with voting rights. A shares generally entitle the holder to one vote, while B shares entitle the holder a restricted voting right, generally a tenth of a vote. Voting rights differ partly because, in the spread of ownership, there is a need to protect the influence of the original founders or owners of the company by giving them stronger voting rights. When new shares are issued, these have a lower voting value than the original A class, and are designated as B, C or D shares.

3.1.4 Quota value, split and consolidation of shares

A share's quota value is the proportion of the company's share capital that each share represents. It is obtained by dividing the share capital by the total number of shares. Companies sometimes change the quota value because the price (the market rate of the share) has risen sharply, for example. Dividing each share into two or more shares via what is known as a split reduces the quota value and lowers the price of the shares. However, the shareholder's capital is unchanged after a split, but it is divided into more shares which have a lower quota value and a lower price per share. On the other hand, a share consolidation (reverse split) can be performed if the price has fallen substantially. This merges two or more shares into one share. The shareholder has the same capital after consolidation, but it is divided into fewer shares which have a higher quota value and a higher price per share.

3.1.5 Market introduction, privatisation and buyouts

Market introduction means that shares in a company are introduced to the share market, i.e. listed for trading on a regulated market or MTF. The public is then invited to subscribe for (buy) shares in the company. In general this is an existing company that has not previously been traded on a regulated market or other trading venue, whose owners have decided to expand the circle of owners and facilitate trading in the company's shares. If a government-owned company is introduced to the market, this is known as privatisation.

As a rule, buyouts take place when one or more investors invite the shareholders of a company to sell their shares on certain terms. If the buyer obtains 90% or more of the shares in the relevant company, the buyer may impose compulsory redemption of the remaining shares on the shareholders who did not accept the buyout offer. These shareholders are then forced to sell their shares to the buyer against compensation that is set via arbitration.

3.1.6 Issues

If a limited company wishes to expand its activities, additional share capital is often required. The company obtains this by issuing new shares. Existing shareholders generally get subscription rights giving them priority to shares in a new issue. The number of shares that may be bought is generally proportionate to the shareholder's existing number of shares. The subscriber must pay a certain price (issue rate), generally lower than the market rate, for the newly issued shares. Immediately after the subscription rights – which generally have a specific market value – have been separated from the shares, the price of the shares generally drops, while the number of shares rises for those shareholders who subscribed. Shareholders who do not subscribe may sell their subscription rights during the subscription period, which usually lasts for several weeks, on the trading venue where the shares are traded. After the subscription period, the subscription rights lapse, thus becoming unusable and worthless.

Limited companies can also carry out what are known as a directed share issue, in which shares are issued and directed only at a particular set of investors. Via what is known as a non-cash consideration, limited companies can also issue new shares in order to acquire other companies, businesses or assets in a form other than cash. With both directed share issues and non-cash considerations, the existing shareholders' proportion of the number of votes and share capital in the company is diluted, but the number of shares owned and the market value of the invested capital are not normally affected.

If the assets or reserved funds in a limited company have substantially increased in value, the company may transfer part of this value to its share capital via what is known as a bonus issue. In bonus issues, the number of shares which each shareholder already has is taken into account. The number of new shares that accrue via the bonus issue are proportionate to the shareholder's existing number of shares. Through the bonus issue, the shareholder receives additional shares, but the shareholder's proportion of the company's increased share capital is unchanged. The price of the shares goes down with a bonus issue, but thanks to the increase in the number of shares, the market value of the shareholder's invested capital remains unchanged. Another way of executing a bonus issue is for the company to write up the quota value of the shares. After revaluation, the shareholder's number of shares is unchanged and the market value of the shareholder's invested capital remains unchanged.

3.2 General information about share-related instruments

Instruments that are closely linked to shares are share index bonds, deposit certificates, convertibles, share options and equity index options, share and equity index forwards, warrants and leverage certificates.

3.2.1 Index bonds/share index bonds

Index bonds/share index bonds are bonds for which the return is dependent, not on interest, but on a share index. If the index performs positively, the return follows suit. If the index performs negatively, the return may not materialise. However, the bond's nominal amount, which may be lower than the invested amount, is always repaid on the maturity date, meaning there is less risk of loss than there is for shares and fund units. The risk associated with an investment in a share index bond, in addition to any premium and costs paid, can be defined as the alternative return, i.e. the return that the investor would have obtained on the invested amount if invested elsewhere. Index bonds may have various names, such as share index bonds, SPAX, share bonds, credit basket bonds, interest rate basket bonds, currency bonds, etc., depending on the underlying asset that determines the return on the bond. Index bonds are often designated as capital-protected products. As outlined above, this term indicates that, regardless of whether or not the product produces a return, the nominal amount is repaid. This is usually the invested amount minus any premium.

3.2.2 Deposit certificate

A deposit certificate is a certificate demonstrating the right to foreign shares, which the certificate issuer is keeping/holding on behalf of the holder. Deposit certificates are traded exactly like shares on a regulated market or trading venue, and the price performance generally tracks the price performance on the foreign trading venue where the share is traded. As well as the general risks associated with trading shares or other types of participation rights, currency risk should be taken into account.

3.2.3 Convertibles
Convertibles (conversion loans or convertibles) are interest-bearing securities (loans to the issuer of the convertible) which may be exchanged for shares during a specific time frame. The return on the convertibles, known as the coupon rate is usually higher than the dividend on dividend shares. The convertible rate is expressed as a percentage of the nominal value of the convertible.

3.2.4 Reverse convertibles
Reverse convertibles are hybrid products that are somewhere between an interest rate investment and a share investment. The reverse convertible is linked to one or more underlying shares or an index. This investment produces interest, i.e. a fixed, guaranteed return. If the underlying shares or index perform positively, the invested amount plus the fixed return is repaid. If the underlying shares or index fall, on the other hand, there is a risk that, instead of the invested amount, the investor will receive one or more shares that are included in the reverse convertible or equivalent cash paymentin addition to the predetermined return.

3.2.5 Share options/equity index options
There are various types of share options. Call options entitle the holder to buy previously issued shares at a predetermined price within a particular time frame. Put options, on the other hand, entitle the holder to sell shares at a predetermined price within a particular time frame. Each call option has a corresponding issued option. Unless risk restriction measures are taken, the risk for the option buyer is that it will fall in value or be worthless on the closing day. In the latter case, the premium paid to acquire the option is fully used up. In certain situations, the risk run by the issuer of an option may be unrestricted in size unless risk restriction measures are taken. The price of options is affected by the price of the corresponding underlying shares or index, but generally fluctuates more and affects the price more strongly than is the case with the shares or index.

Most trading in share options takes place on regulated markets. Trading in equity index options also takes place in these venues. These index options produce profit or loss directly in cash (cash settlement) based on the change in the underlying index. See also section 5 on derivatives.

3.2.6 Equity forwards, equity index forwards and futures
A forward is a mutually binding contract between the parties to buy or sell the underlying asset at a previously agreed price, with delivery or other consideration, such as cash settlement, at a time specified in the contract (closing day). No premium is paid, since the parties have mutual liability under the contract.

A future is a type of forward. The difference between a future and a forward lies in the way they are settled (i.e. when the party to a contract receives or makes payment, depending on whether the position has increased or decreased in value). Futures are settled daily in the form of regular payments between the buyer and the seller, based on the value change from one day to the next of the underlying asset. Forwards are only settled in connection with the instrument's closing day. See also section 5 on derivatives.

3.2.7 Warrants
Certain call and put options with longer maturities are also traded. Tthese are usually known as warrants. Warrants can be used to buy or sell underlying shares or, in other cases, to provide cash if the price of the underlying share moves in the right direction compared with the redemption price of the warrant. Subscription warrants for shares can be used within a certain time frame to subscribe for corresponding, newly issued shares. See also section 5 on derivatives.

3.2.8 Leverage certificates
Leverage certificates, often known simply as certificates are often a combination of, for example, a call option and a put option, and are dependent on an underlying asset, such as a share, index or commodity. A certificate has no nominal amount. Leverage certificates should not be confused with commercial papers, which are a type of promissory note that companies can issue when borrowing money on the capital market.

One thing that distinguishes leverage certificates is that relatively small price changes in underlying assets can produce considerable changes in the value of the holder's investment. These changes in value may be to the advantage of the investor, but also to the investor's disadvantage. In particular, the holder should be aware that leverage certificates can decline in value, even becoming completely worthless, meaning that all or parts of the invested amount may be lost. The same argument may also apply to options and warrants in many cases. See also section 5 on derivatives.

4. Interest rate-related instruments
An interest-bearing financial instrument is a receivable for the issuer of a loan. Return is in the form of interest. There are various forms of interest-bearing instruments, depending on who the issuer is, any security pledged by the issuer for the loan, the time left until the repayment date and the form in which interest is paid out. The interest (the coupon) usually paid out on a yearly basis.

Another form of interest payment is selling the instrument at a discount (discount security). At the time of sale, the price of the instrument is calculated by discounting the loan amount including estimated interest to the present value. The present value or price is lower than the amount received on repayment (the nominal amount). Bank certificates and treasury bills are examples of discount securities, as are bonds with a zero-coupon structure.

Another form of interest-bearing bond is government premium bonds, in which the loan interest is disposed of by lottery among the holders of the premium bonds. There are also interest rate instruments and other forms of saving in which the interest is protected from inflation and the investment therefore provides a fixed, real rate of interest.

In an interest-bearing instrument, the risk is made up partly of the change in price (price risk) that may occur during the investment term, depending on market interest rate changes, and partly from the fact that the issuer may not be able to repay the loan (credit risk). Loans for which sufficient security for repayment has been pledged are thus typically less risky than loans without security. In purely general terms, however, the risk of losses on interest-bearing instruments is regarded as lower than for shares. An interest-bearing instrument issued by an issuer with a high credit rating may therefore be a good option if you want to minimise the risk of your savings capital declining in value, and may be preferable for short-term savings. Elements of interest-bearing investments are also very common in long-term savings for which the capital must not be jeopardised. The disadvantage of an interest-bearing investment is that, as a rule, the value increase is low. Examples of interest-bearing investments are savings accounts, private bonds and fixed income funds.

The prices are set continuously for both instruments with a short investment term (less than one year), such as treasury bills, and instruments with longer investment terms, such as bonds. This takes place on the money and bond market. Market interest rates are affected by analyses and assessments made by the Central Banks and other major institutional market operators in regard to how a number of economic factors such as inflation, economic trends, interest rate changes in different countries, and so on, will develop in the short and the long term. The Riksbank also undertakes what are known as monetary policy activities in order to manage market interest rates and keep inflation within established targets. The financial instruments that are traded on the money and bond market (e.g. government bonds, treasury bills and mortgage bonds) are often traded in extremely large amounts (multiple millions).

If the market interest rates go up, the price of the interest-bearing financial instruments already in circulation will fall if they have a fixed interest rate, since new loans are issued with interest rates that track the current market interest rate, and will thus produce higher interest than the instruments currently in circulation will. Conversely, the price of instruments in circulation goes up when the market interest rate goes down.

Loans issued by governments and municipalities are regarded as risk-free in terms of payment, and this also applies to government and municipal bonds. Issuers other than the government and municipalities may occasionally, when issuing bonds, pledge security in the form of other financial instruments or other property (security in rem).

There are also other interest-bearing instruments that carry a higher risk than bonds if the issuer has difficulty repaying the loan, e.g. debentures, since the loan is only repaid after all other creditors have been paid. Contingent convertibles, known as CoCos, are another type of complex product associated with risks that can be very difficult to understand. Essentially, they are bonds that can be written down if certain predefined triggers occur, i.e. they will lose all or part of their value, or are convertible into equity.

Secured bonds are a form of interest rate-related instruments. These are attached to a special priority right in accordance with special legislation. The regulations regarding secured bonds aim to ensure that investors receive full payment in accordance with an agreed schedule, even if the bond issuer goes bankrupt, provided that the asset securing the bond is worth enough.

5. Derivative instruments

Derivative instruments, such as options, forwards and so on, have various types of underlying assets, e.g. shares, bonds, commodities and currencies. Derivative instruments can be used to reduce the risk of an investment.

The price of a derivative instrument depends on the price of the underlying instrument. Unusually, the price of a derivative instrument often fluctuates more strongly than the change in the price of the underlying asset. This price impact is known as the leverage effect, and it can result in a greater return on invested capital than if you had invested directly in the underlying asset. On the other hand, the leverage effect can also cause a greater loss for the derivative instrument compared with the change in value of the underlying asset if the price of the underlying asset performs in a way that is unexpected. The leverage effect, i.e. the potential for profit or the risk of loss, varies depending on the structure of the derivative instrument and how it is used. This means that there are stringent requirements for monitoring the price performance of the derivative instrument and the underlying asset. Investors should be prepared to act quickly in their own interest, often during the day, if an investment in a derivative instrument moves in an unprofitable direction. When assessing risk, it is also important to take into account the fact that it may be more difficult to liquidate a position/holding if the price performs negatively.

For more information on derivative instruments, see Information on trading in options, forwards and other derivative instruments.

6. Structured Products

Structured products combine different kind of financial instruments, of which at least one is a derivative, which are provided to customers in the form of a single product to produce specific investment characteristics. Common characteristics of structured products are caps and floors to potential losses and yields. They are also used to separate market related yield from industry and company specific yield, giving investors the opportunity to narrow their risk exposure. There is a multitude of structured products available on the market today. Some structured products are produced to accommodate risk adversity, whereas others entail a higher risk than the underlying instruments individually. More detailed information regarding the risks associated with a specific product can normally be found in the product’s prospectus. An investor purchasing such a security in the primary market is normally given the product’s prospectus when the product is issued. Investors in secondary markets – that is, regulated markets and other venues trading previously issued financial products – are not automatically provided with the product’s prospectus, and should therefore be sure to obtain it before making an investment decision.

With structured products, buyers can only assert their rights against the issuer. Hence, in addition to the market risk, particular attention needs to be paid to issuer risk. Customers therefore need to be aware that, as well as any potential loss they may incur due to the fall in the market value of the underlying instrument, a total loss of their investment is possible if the issuer should default. Market makers, who in most cases are the issuers themselves, normally guarantee that structured products are tradable, although liquidity risks cannot be excluded.

7. Funds and fund units

A fund is a "portfolio" of different financial instruments, such as shares and bonds. The fund is jointly owned by everyone who invests savings in the fund – known as the unitholders – and is managed by a fund management company. There are various types of funds with different investment focuses. "Investment focus" refers to the type of financial instrument in which the fund invests. Some of the most common types of funds are outlined in brief below.

An equity fund invests all or most of the capital that the unitholders have invested in shares. There are also balanced funds, which invest in both shares and interest-bearing instruments, as well as pure fixed income funds, in which capital is invested in interest-bearing instruments.

One of the aims of an equity fund is to invest in many different shares and other share-related financial instruments, thus reducing the company-specific risk for the unitholder, compared with a shareholder who invests in one or just a few shares. The unitholder also avoids having to select, buy, sell and monitor the shares and other administration regarding this.
The principle for fixed income funds is the same as for equity funds – investing in various interest-bearing instruments in order to spread the risk of the fund, and the fund is managed based on analysis of future belief in the interest rate.

"Funds of funds" invest only in other funds. They may be regarded as an alternative to making your own investments in several different funds. This spreads the risk in the same way that a well-put-together personal portfolio can. The investment focus and risk level varies between funds of funds.

Other examples of funds are index funds that are not actively managed by a fund manager, but instead invest in financial instruments that track the composition of a particular index.

A hedge fund is another type of fund. In English, "to hedge" means "to protect". While hedging is intended to protect against unexpected changes in the market, a hedge fund can still be a high-risk fund, since such funds are often heavily encumbered. However, hedge funds vary widely, and there are also low-risk hedge funds. Hedge funds try to produce a positive return regardless of whether the share or interest markets go up or down. A hedge fund is often a special fund which has greater freedom in its investment options than traditional funds (securities funds). The investment focus could be anything from shares, currencies and interest-bearing instruments to various arbitrage strategies (speculating on changes in interest rates and/or currencies, for example). Hedge funds often employ derivatives with the aim of increasing or decreasing the fund's risk. Short selling (see below) is another common element.

Funds can also be divided into securities funds (also known as UCITS funds) and special funds. Securities funds are those that meet the requirements of what is known as the UCITS Directive as regards investment provisions and spread of risk. Securities funds (which are licensed in their home country within the European Economic Area (EEA)) may freely be sold and marketed in all EEA countries. Special funds (including hedge funds, see above), comply with what is known as the AIFM Directive. These funds deviate somewhat from the rules of the UCITS directive, so it is very important that you find out which investment rules the special fund you are intending to invest in will observe. This will be explained in the information brochure and fact sheet for the fund. All fund management companies are obliged to voluntarily offer potential investors the fact sheet for the fund. Funds that are invested in foreign financial instruments also incur a currency risk (see also section 2.2, above).

The unitholders receive a number of units in the fund equivalent to the proportion of capital they have invested relative to the fund's total capital. These units can be bought and redeemed via securities companies, which offer units in the fund for sale, or directly via the fund management company. However, it is important to remember that certain funds may have fixed periods when the fund is "open" for buying and redemption, so regular trading is not always possible. The fund management company regularly calculates the present value of the units, based on the change in the price of the financial instruments included in the fund. The capital invested in a fund may either rise or fall in value, so it is not certain that the investor will get back the entire amount of capital invested.

8. Short selling

Short selling means that a party who has borrowed financial instruments, thus undertaking to repay instruments of the same type to the lender, sells the borrowed instruments. When selling, the borrower banks on buying instruments on the market at a lower price than when the borrowed instruments were sold at the time of return. If the price has gone up, a loss is incurred, and in the event of large price increases this can be considerable.

9. Securities Lending

By entering into a securities leding transaction, the lender forgoes any and all rights associated with ownership of the securities lent, including but not limited to any rights of dividends, voting rights and similar, for the period during which the securities are lent. The borrower will however, under normal circumstances, be obliged to forward or otherwise compensate the lender for any dividend or benefit of corporate actions.

In settling a securities lending transaction, the lender is entitled to reacquire the securities lent, alternatively receive their cash equivalent or the proceeds of redemption. Upon the borrower's insolvency or other cause of default, the lenders rights to return of the securities is limited to any collateral the borrower has provided.

10. Suspension of Trading

A situation may occur in which a position held by an investor can not be closed due to the suspension of trading in response to rapid price movements, in either direction, in an instrument. Events such as the suspension of trading limit the effectiveness of providing stop-loss instructions and similar arrangement which are designed to limit the adverse impact of aforementioned rapid price movements, which may, in such event, not be possible to execute.

11. Stabilisation

From time to time the Bank may enter into transactions with you in securities which are the subject of stabilisation. In the interest of ensuring that markets for newly issued securities do not fluctuate heavily in the first days after their introduction, financial regulators have passed certain regulations which, provided the prescribed requirements are observed, permit the manager(s) of an issue to stabilise the price of the securities involved by repurschase them in the market. This activity can result in the price of the relevant security being temporarily higher than it might otherwise be at that moment. However, given the nature of new issue markets, stabilisation activitites do not indicate the true underlying demand for a share – which may only become apparent once the period immediately after the introduction has passed and any stabilisation activity has ended.

12. Borrowing

In many cases, financial instruments can be bought for partly borrowed capital. Since both own equity and borrowed capital affect the return, customers may obtain a greater return via loan financing if the investment moves in a positive direction compared to investing with their own equity only. The debt linked to the borrowed capital is not affected if the prices of the instruments you have bought move in a positive or negative direction, which is an advantage in the case of positive price movement. If the prices of the instruments you have bought move in a negative direction, there is a corresponding disadvantage, since the full debt still remains, i.e. in monetary terms the price drop uses up your equity. If the price drops, your equity could thus be entirely or partly used up, while the debt will still have to be paid fully or partly through the proceeds from selling the financial instruments that have declined in value. The debt must be paid even if sale proceeds do not cover the entire debt.

As a customer, you must be aware of the following:

- investments or other positions in financial instruments are undertaken at your own risk
- as a customer, you must carefully read SEB's general terms and conditions for trading financial instruments and, where appropriate, in prospectuses and other information about the relevant financial instrument, its nature and risks
- when trading financial instruments it is important to check all reporting about your transactions and holdings, and to immediately report any errors
- it is important to continuously monitor changes in the value of your financial instrument holdings and positions
- as a customer, you must initiate any action necessary to reduce the risk of losses
- your rights as a customer regarding foreign financial instruments or funds can vary depending on the jurisdiction that applies to said financial instruments or funds
- over and above anything that may have been agreed between SEB and you as a customer, a depositary third party may have security in or right of set-off regarding your securities or funds.

Information about trading in options, forwards and other derivative instruments

1. General information about the risks of derivative instruments

Trading in derivative instruments is associated with particular risks, which will be described in more detail in this information. The customer is responsible for the risks, and so must personally read and learn about the conditions that apply to trading in such instruments in the form of general terms and conditions, fact sheets, prospectuses and so on, and about the nature of and risks associated with the instruments, via their appointed securities company or through their representative asset manager. The customer must also regularly monitor his or her investments (positions) in such instruments. Monitoring information (price information, etc.) is available via trading venue websites, in daily papers and in other media, as well as from the customer's securities company. The customer should also be prepared to take action quickly if this turns out to be necessary to protect his or her interests, for example, by pledging additional security or closing investments in derivative contracts (disposing of or closing the positions).

2. Use of derivative instruments

Derivative instruments are a form of agreement (contract) in which the agreement itself is subject to trading on the capital market. The derivative instrument is linked to an underlying asset or an underlying value. This asset or value (hereinafter referred to simply as the asset) may comprise a financial instrument, some other asset with economic value, such as a currency or commodity, or some kind of measure of value, such as an index. Derivative instruments may be used to protect against undesired price changes in the underlying asset. They can also be used to achieve a profit or return with a lower capital injection that would be required for an equivalent transaction directly involving the underlying asset. Derivative instruments can be used for other purposes. The use of derivative instruments is based on certain expectations regarding the underlying asset's performance over a given time period. Before trading in derivative instruments begins, it is thus important for the customer to clarify the purpose and the price performance of the underlying asset that can be anticipated – and, on this basis, to choose the right derivative instrument or combination of such instruments.

3. Types of derivative instruments

The main types of derivative instruments are options, forwards and swap agreements.

An option is an agreement for one party (the issuer of an option contract) to undertake to buy or sell the underlying asset from or to the other party (the contract holder) at a predetermined price (the redemption price). Depending on the type of option, the contract may either be used at any time during the investment term (American option) or only on the closing day (European option). The holder pays compensation (a premium) to the user and receives a right to use the contract, but has no obligation to do so. The issuer, on the other hand, is obliged to redeem the contract if the holder so demands (redeems the option). The performance of the underlying asset is usually crucial to the performance of the value of the option. Unless risk restriction measures are taken, the risk for the option buyer is that the option will fall in value or be worthless on the closing day. In the latter case, the premium paid to acquire the option is fully used up. In certain situations, the risk run by the issuer of an option may be unrestricted in size unless risk restriction measures are taken. The price of options generally tracks the price of the corresponding underlying shares or index in the same or opposite direction, but fluctuates more and affects the price more strongly than is the case with the shares or index.

A forward is a mutually binding contract between the parties to buy or sell the underlying asset at a previously agreed price, with delivery or other consideration, such as cash settlement, at a time specified in the contract (closing day). No premium is paid, since both parties have mutual liability under the contract.

A future is a type of forward. The difference between a future and a forward lies in the way they are settled (i.e. when the party to a contract receives or makes payment, depending on whether the position has increased or decreased in value). Futures are settled daily in the form of regular payments between the buyer and the seller, based on the value change from one day to the next of the underlying asset. Forwards are only settled in connection with the instrument's closing day.

A swap agreement means that the parties agree to provide ongoing payments to each other, for example, calculated on fixed or variable interest rates (interest rate swap), or to swap some form of asset with each other at a certain time, such as different types of currency (currency swap).

Certain call and put options with longer maturities are also traded. These are usually known as warrants. Warrants can be used to buy or sell

underlying shares or, in other cases, to provide cash if the price of the underlying share moves in the right direction compared with the redemption price of the warrant. Subscription warrants for shares can be used within a certain time frame to subscribe for corresponding, newly issued shares.
Leverage certificates, which are often known simply as certificates, are often a combination of, for example, a call and put option, and are dependent on an underlying asset, such as a share, index or commodity. A certificate has no nominal amount. Leverage certificates should not be confused with commercial papers, which are a type of promissory note that companies can issue when borrowing money on the capital market.

One thing that distinguishes leverage certificates is that, as with other derivative instruments, relatively small price changes in underlying assets can produce considerable changes in the value of the holder's investment. These changes in value may be to the advantage of the investor, but also to the investor's disadvantage. In particular, the holder should be aware that leverage certificates can decline in value, even becoming completely worthless, meaning that all or parts of the invested amount may be lost. The same argument also generally applies to options and warrants.

Autocalls are a type of instrument intended to offer potential for a good return in a lateral or moderately declining market. They are generally offered with conditional capital protection down to a certain level or barrier. This protection ceases if the downside barrier is passed. This means there is a substantial risk that the nominal amount will be lost when investing in an autocall.

Derivative instruments can be combined in certain ways to ensure a certain amount of protection from changes in the price of the underlying asset, or to obtain a certain economic result relative to the anticipated price performance of the underlying asset.

When trading in combined products, it is important to acquaint yourself with the various components of the product and how these interact. In some cases, the interaction between components can result in a higher risk than each component would by itself. For a more detailed description of a particular product's component parts and how they interact, consult the issuing securities company and the relevant prospectus.

4. Characteristics of derivative instruments

Trading in derivative instruments can be described as trading in or transfer of risk. An investor who fears that the market is about to drop, for example, can buy put options that increase in value if the market falls. To reduce or avoid the risk of the market dropping, the buyer pays a premium, i.e. the cost of the option.

Trading in derivatives requires specialist expertise. It is therefore important that anyone intending to trade in derivative instruments pay attention to the following characteristics of such instruments. The structure of a derivative instrument means there is a risk that the price of the underlying asset will have a negative impact on the rate or price of the derivative instrument. This price impact is often stronger relative to the deposit (the premium paid) than the change in the value of the underlying asset. The price impact is therefore known as the leverage effect, and it can result in a greater return on invested capital than if you had invested directly in the underlying asset. On the other hand, the leverage effect can also cause a greater loss for the derivative instrument compared with the change in value of the underlying asset if the price of the underlying asset performs in a way that is unexpected. The leverage effect, i.e. the potential for profit or the risk of loss, varies depending on the structure of the derivative instrument and how it is used. This means that there are stringent requirements for monitoring the price performance of the derivative instrument and the underlying asset. Investors should be prepared to act quickly in their own interest, often during the day, if an investment in a derivative instrument performs negatively. When assessing risk, it is also important to take into account the fact that it may be more difficult to liquidate a position/holding if the price performs negatively.

The party that undertakes an obligation by issuing an option or entering into a forward contract is compelled from the outset to pledge security for the undertaking. As the price of the underlying asset moves up or down with time, meaning that the value of the derivative instrument rises or falls, the requirement for security also changes. Further security in the form of additional security may therefore be required. The leverage effect thus also applies to the security requirement, which can change quickly and substantially. If the customer does not pledge adequate security, the counterparty or the securities company has generally reserved the right to end the investment (close the position) without consulting the customer in order to minimise the damage. Customers should therefore carefully track price performance in regard to the security pledge to prevent the position being closed involuntarily.

The investment term for derivative instruments may vary from a very short period up to several years. Price changes are often greatest for instruments with a short investment term. The price of an option held, for example, generally drops increasingly fast towards the end of the investment term because its "time value" declines. Customers should thus also monitor the investment term of derivative instruments.

It should be noted that derivatives are often cleared by central counterparties (CCPs), which enter into each derivative contract as a counterparty.

As a customer, you must be aware of the following:

- investments or other positions in derivative instruments are undertaken at your own risk
- as a customer, you must carefully read the terms and conditions for trading financial instruments, information in fact sheets, prospectuses and other information about the relevant derivative instrument, its nature and risks
- when trading financial instruments it is important to check all reporting about your transactions and holdings and positions, and to immediately report any errors
- it is important to continuously monitor changes in the value of your holdings and positions in relevant instruments, and to be prepared to act quickly
- as a customer, you must meet the security requirements within the agreed frameworks
- as a customer, you must initiate any action necessary to reduce the risk of losses.

Risk Disclosure Statement

This statement does not disclose all the risks and other significant aspects of the transactions. The customer is advised to carefully study the terms and conditions of the relevant transaction and seek independent financial, tax, legal or other advice, as appropriate, before entering into any transaction.

(In this statement, words importing the singular shall include the plural and vice versa and words importing a gender shall include every gender.)

1. For the purpose of this statement "transactions" include all transactions undertaken by the Bank on behalf of the Customer involving all types of securities i.e. shares, bonds, equity-linked bonds, mutual funds, etc. and are applicable to forward contracts, swaps, options and other derivative transactions involving foreign exchange, precious metals and other commodities, interest rates, securities, market indices and any combination of these, including any structured products incorporating any or a combination of the preceding.

2. The Customer acknowledges the following:

a) Participation in a transaction involves a certain degree of risk, which can be substantial due to the volatile nature of financial markets.

b) The Bank has drawn the Customer's attention to such risks.

c) The Customer will consult his advisers and seek independent advice on the nature of such transactions and carefully consider whether the kind of transaction is appropriate in the light of his financial circumstances.

d) By entering into any transaction with the Bank, the Customer makes his own assessment and relies on his own judgement in relation to all investments or trading or other decisions in respect of such transactions, and accepts all risks associated therewith, and any losses suffered as a result of entering into such transactions.

e) The Customer carries the burden of risk involved in any transaction and the Bank is not responsible for any losses whatsoever arising from the transactions.

3. The Customer acknowledges and accepts, that the Bank is obliged to give advice or make recommendations only within its area of competence and skills and it may do so on request by the Customer or otherwise. Any such advice or recommendations if given or made, the Customer acknowledges and agrees that it so given or made without any responsibility on the part of the Bank and on the basis that the Customer will nevertheless make his own assessment and rely on his own judgement.

4. The Customer accepts that, when the Bank undertakes a transaction on behalf of the Customer, the Bank or some other person connected with it may have an interest, relationship or arrangement that is material in relation to the transaction concerned. The Customer further acknowledges and agrees that when the Bank undertakes a transaction for the Customer, the Bank or a person connected with it could be dealing as principal for its own account or as an agent for the purpose of completing a transaction on behalf of the Customer.

5. The Customer accepts that the Bank from time to time, and in appropriate cases, furnish the Customer with term sheets, annexures, supplements and any other material setting out the material terms, associated obligations, underlying assumptions, pricing basis, sensitive analysis to illustrate the impact of market movements on the proposed financial transaction (in particular, the profit and loss which the Customer may be exposed to with fluctuations in market rates) and/or such other information regarding the said transaction as the Bank may think relevant. The Customer acknowledges that any analysis which may be provided are for the purpose of illustration only and are not to be treated as the Bank's view on how the market will move in the future.

6. The Customer further acknowledges that any term sheets, annexures, supplements and any other material in relation to information on transactions as referred by the Bank from time to time constitute a part of the "Information concerning Risks connected with Investments in Financial Instruments and Risk Disclosure Statement" which is provided by the Bank to the Customer. The Customer confirms that it will take all necessary steps to study and fully understand the relevant term sheets and associated documents before executing any specific transaction. The provision of such term sheets and any associated documents shall not, however, absolve the Customer from his obligation in taking all such steps and making all such enquiries as may be necessary or desirable to ensure that the Customer full understands the transaction concerned.

7. By entering into any transaction with the Bank, the Customer confirms that he has read and fully understood the "Information concerning Risks connected with Investments in Financial Instruments and Risk Disclosure Statement" provided by the Bank and all product term sheets, annexures, supplements and any other material pertaining to the transaction, which the Bank provides from time to time.

By signing below, I/we confirm that I/we have read and fully understood the statement on "Information concerning Risks connected with Investments in Financial Instruments" provided by the Bank and the terms and conditions of the "Risk Disclosure Statement".

- I/we further undertake that prior to entering into any transaction, I/we have read and fully understood:
- a) The term sheets, annexures, supplements and any other material pertaining to the transaction which the Bank provides to the Customer from time to time;
- b) The nature of the transaction and the terms and conditions governing the said transaction; and
- c) The Bank's margin requirements, if applicable.

I/We further declare and acknowledge that in entering into any transaction, I/we have decided to do so based on my/our personal judgment, and independent of any advice or recommendation of the Bank. I/we will fully calculate and accept the risk involved in my/our underlying obligations under the said transaction.

I/We further acknowledge that this undertaking will be applicable to all existing and future accounts with the Bank.

Customer: ☐ Individual ☐ Joint **Account No:** ______________________

Place, date: ______________________

Signatures

Signature	*Print Name*
1.______________________	______________________
2.______________________	______________________