RISK WARNING NOTICES

INTRODUCTION

This notice is a general description of the nature and risks of financial instruments associated with the investment and ancillary services that **RTW BROKERS** may provide to its professional clients and eligible counterparties. This notice cannot disclose all the risks associated with financial instruments. You should refrain from entering into any of these investments unless you understand their nature and the extent of your exposure to risk and potential loss. These risk warnings should be taken into account when deciding whether or not to transact with RTW Brokers in relation to the relevant products or transactions - for the purposes of this notice, referred to as "**financial products**", "**financial instrument**", "**investments**" or "**products**" interchangeably.

You should also read any relevant documentation, for example term sheets and offering documents, which may highlight a non-exhaustive set of other risks that are specific to a particular financial instrument or service. You should not rely on the risks within this notice as being the only risks in relation to a financial instrument or service. You should refrain from entering into any such transactions unless you fully understand all such risks and have independently determined that the transaction is appropriate for you.

Any evaluation of transactions should be made only after seeking advice from independent professional accounting, financial, investment, legal, regulatory, tax and other advisors; **RTW Brokers** is not your advisor.

This notice is provided by **RTW Brokers** and is supplementary to the Terms of Business which you may receive from time to time from **RTW Brokers**. This notice may be amended by **RTW Brokers** from time to time. By providing any trading instructions to us after receipt of this notice, you will be taken to have acknowledged and you accept that it has been properly notified by **RTW Brokers** with respect to the risks listed herein and you acknowledge and accept that any one or more of these risks could lead to loss which could, in certain circumstances, exceed your initial investments and capital.

GENERAL

There are some risks that will apply generally to any investment. The value of investments and the income from them may fluctuate and go down as well as up. There is no guarantee that you will get back the amount initially invested. The value of investments may be affected by a variety of factors, including economic and political developments, interest rates and foreign exchange rates, as well as issuer-specific events.

Past performance is not a guide to future performance. Investments denominated in currencies other than your base currency carry the risk of exchange-rate movements. A movement in exchange rates may have a separate effect, unfavorable as well as favorable, on your gains and losses. Hedging techniques may, in certain circumstances, be limited or not be successful.

The market for some investments may be restricted or illiquid. There may be no readily available market and from time to time there may be difficulty in dealing in such investments or obtaining reliable information about the value and extent of risks associated with such investments. The insolvency or any institution, including **RTW Brokers**, acting as a party to a contract in a financial product - or otherwise providing a service - may expose you to financial loss.

Certain investments may need third parties to act in relation to investments traded or held by you - example: custodians, settlement agents, exchanges. Your investments may be at risk in the event of failure and - or fraud in respect of one of these third parties

FINANCIAL INSTRUMENTS AND PRODUCTS

EQUITY SECURITIES

Buying equity securities - the most common form of which are shares - will mean that you will become a member of the issuer company and participate fully in its economic risk. Holding equity securities will generally entitle you to receive any dividend distributed each year (if any) out of the issuer's profits made during the reference period.

The risks associated with dealing in shares may involve, but not be limited to, the following:

- In the event of insolvency of the issuer, your claims for recovery of your equity investment in the issuer will generally be subordinated to the claims of both preferred or secured creditors and ordinary unsecured creditors of the issuer. If the issuer company went financial bankrupt, all sums invested could be lost.

- The dividend per share will depend on the earnings and dividend policy of the issuer company. If the company does not make any profits or losses money, dividend payments may be reduced or not made at all.

- If you buy equity securities you will be exposed to both the specific risks associated with individual securities held - and the financial soundness of their issuers, as well as the systemic risks of the equity securities markets. Share prices may fluctuate causing risk of loss.

- Shares may be difficult to sell and prove to be illiquid at certain points in time.

- There is a risk that an issuer may issue more of its shares and thereby potentially reducing the value of a holding and put downward pressure on the amount of dividends per share.

DERIVATIVES

A derivative is a contract entered into between parties for the exchange of payments calculated by reference to an underlying asset, rate or index. A derivative can be traded "**over-the-counter**" – that is, outside of an exchange or other trading venue ("**OTC**") or on an exchange ("**exchange-traded**").

In general, derivatives involve the following risks:

Market Risk: as derivatives are priced on the basis of an underlying asset or other value, the client will be exposed to the market risks that affect the underlying. However, the economic return of a derivative transaction may not be identical to the economic return of holding the underlying, and may include an adjustment for fees or commissions, financing charges, hedging costs or break costs. “Stop loss” or “stop limit” orders intended to limit losses may not be effective if market conditions make it impossible to execute such orders.

Counterparty Credit Risk: where the derivative transaction is uncleared and uncollateralized, the counterparties are exposed to the credit risk of the other party. The client’s entire investment could be lost in the event of default by, or the insolvency of, its counterparty.

Loss of Investment: there is a risk that you could, due to the relationship between your position and market pricing, never receive any benefit from the transaction.

Contingent Liabilities: derivatives such as credit default swaps or options may involve contingent liabilities. This can result in the client incurring losses much greater than its original investment (if any) or premium received - in the case of sold options - should certain conditions be met, such as the occurrence of a credit event or an asset reaching a strike price.

Unlimited Loss: losses under certain derivatives can be unlimited. In the context of a swap, for as long as the underlying reference rate continues to rise, so too will the client’s loss if it is required to pay the variable rate under the transaction.

Leverage Risk: derivatives may be entered into on a highly geared or leveraged basis. This may mean that even a relatively small movement in the value of the underlying asset or other specified factor(s) could result in a disproportionately large movement, unfavorable or favorable, in the amount payable between the parties to the transaction.

Legal Risk: if a counterparty goes into default and the derivative is terminated, the ability to recover value from any transaction may be dependent on netting gains against losses across all the transactions under the same master agreement and the net value of the transactions against the value of the collateral.

Collateral Risk: parties to derivatives contracts are often required to post collateral to mitigate their credit exposure to one another. If the market value moves against their position, the investor may be called upon to pay substantial additional collateral on short notice.

Failure to post collateral may lead to the contracts being closed out, which could crystallize a loss position. Where collateral is held by a third-party custodian, the return of such collateral is subject to the insolvency, credit and operational risk of that custodian.

Early Termination: derivative transactions may be subject to early termination due to “events of default” or “termination events” in relation to the client or the provider - example: failure to pay, insolvency, force majeure, illegality, tax events or extraordinary events relating to the underlying - example: merger, nationalization, delisting or an equity, market disruptions, cancellation of an index, disruptions in the ability of one or more parties to hedge the transaction.

Such events - with the exception of voluntary or agreed early termination - may be outside the control of the client and such termination may, depending on the value of the transaction at such time, result in a substantial payment due from - to the client - even where the provider is in default or the termination arises from an external event. Clients may not be able to establish replacement transactions, or may incur significant costs in doing so, such as break costs for early termination even where such early termination is voluntary or agreed between the parties.

Liquidity Risk: uncleared derivative contracts can be amended or transferred only pursuant to their express terms or by agreement of the parties.

Where consent of **RTW Brokers** to transfer or unwind an OTC derivative transaction is required, it may not provide such consent, for reasons which it is not obliged to disclose. In addition, there may not be another dealer who is willing to provide the same or a similar transaction. OTC derivative transactions on standard terms will be more liquid than bespoke transactions. OTC derivative transactions may involve greater risks than investing in exchange-traded derivatives because there is no exchange market on which to close out an open position. It may therefore be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk.

Risk of Adjustments: the occurrence of certain events relating to the underlying of the derivative transaction may trigger the right of the calculation agent to make certain adjustments to the economic terms - example: market disruption events, stock splits, or the payment of unexpected or extraordinary dividends, currency controls, cessation of a benchmark. Such adjustments may involve an element of discretion on part of the calculation agent.

Exposure to an underlying via a derivative may not correspond in all cases with exposure obtained by holding the underlying directly.

Clearing Risk: cleared OTC derivatives are OTC derivatives which have been submitted to and accepted for clearing by a clearing house. Such cleared derivatives are subject to the rules of the clearing house, including collateral arrangements required by the clearing house. Therefore, participants may be required to post collateral on short notice to cover losses incurred under the cleared OTC derivative contracts. Failure to post collateral may lead to the contracts being closed out, which could crystallize a loss position.

The terms and conditions of cleared OTC derivatives may be modified by the clearing house without notice to reflect changes or events in respect of the underlying asset or otherwise. If **RTW Brokers** is not the clearing member then clients will face the counterparty risk of their relevant clearing member and not **RTW Brokers**. Default of their clearing member or **CCP** may lead to positions being liquidated or closed out without client consent. It may be difficult or impossible to liquidate investments, assess value or risk exposure or determine a fair price in these circumstances.

FUTURES AND OPTIONS CONTRACTS - CONTRACTS FOR DIFFERENCE

Futures and options contracts can also be referred to as contracts for differences. These can be options and futures on the **FTSE 100** index or any other index, as well as currency and interest rate swaps. However, unlike other futures and options, 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 and you should be aware of these as set out above.

OFF-EXCHANGE TRANSACTIONS IN DERIVATIVES

A particular derivative may be arranged as an off-exchange derivative transaction. While some off-exchange markets are highly liquid, transactions in off-exchange or 'non-transferable' derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

DEBT INSTRUMENTS

All debt instruments are potentially exposed to a number of risks including, but not limited to, the following:

- New issuances: investors should be aware that they may not receive the full allocation they apply for, and that any debt instruments they do receive may decline in value from the par value of issuance.

BONDS

Bonds are negotiable debt instruments issued in bearer or registered form by a company, a government body or other entity to creditors, whose par value at issuance usually represents a fraction of the total amount of the debt. The duration of the debt as well as the terms and conditions of repayment are determined in advance. Unless stipulated otherwise, the bond is repaid either at the maturity date, or by means of scheduled payments, or at different rates determined by drawing lots. The interest payments on bonds may be either

- fixed for the entire duration or
- variable and often linked to reference rates. The purchaser of a bond - the creditor - has a claim against the issuer - the debtor.

In addition to the risks outlined in “**Debt Instruments**” above, investments in bonds may involve risks including, but not limited to, the following:

Insolvency Risk: the issuer may become temporarily or permanently insolvent, resulting in its incapacity to repay the interest or redeem the bond. The solvency of an issuer may change due to one or more of a range of factors including the issuing entity, the issuer’s economic sector and - or the political and economic status of the countries concerned. The deterioration of the issuer’s solvency will influence the price of the securities that it issues.

Interest Rate Risk: uncertainty concerning interest rate movements means that purchasers of fixed-rate securities carry the risk of a fall in the prices of the securities if interest rates rise. The longer the duration of the loan and the lower the interest rate, the higher a bond’s sensitivity to a rise in the market rates.

Credit Risk: the value of a bond will fall in the event of a default or reduced credit rating of the issuer. Generally, the higher the relative rate of interest (that is, relative to the interest rate on a risk-free security of similar maturity and interest rate structure-usually a government bond or certificate of deposit, generally considered to be free from risk of monetary loss), the higher the perceived credit risk of the issuer.

Early Redemption Risk: the issuer of a bond may include a provision allowing early redemption of the bond if market interest rates fall. Such early redemption may result in a change to the expected yield.

Risks Specific to Certain Types of Bond: additional risks may be associated with certain types of bond, for example floating rate notes, zero coupon bonds, foreign currency bonds and subordinated bonds. For such bonds, you are advised to make inquiries about the risks referred to in the issuance prospectus, and not to purchase such securities before being certain that all risks are fully understood.

Risk Relating to Market Conditions: the price of a bond and its disinvestment risk may each be affected by factors relating to wider market conditions, both positive and negative, and such market conditions will affect each issuer differently depending on the nature and size of the issuer, amongst other factors.

Disinvestment Risk: bonds may be affected by impediments to disinvestment (e.g. the liquidity of a bond). In respect of non-listed bonds, these are generally speaking less liquid than listed bonds. There may be no market for such bonds, meaning that the bond holder is unable to exit this investment before the maturity date. This exposes the bond holder to inflation and - or interest rate risk, as the return on the bond may become lower than the rate of inflation or interest rates available elsewhere.

Tax Call Risk: the issuer of the bond may have the right to call the bond should there be an adverse change to the tax laws that affect it. This may mean that the yield on the bond is lower than anticipated.

Termination of Listing: where the bonds are listed or admitted to trading, the relevant issuer will not be obliged to maintain the listing or trading. Bonds may be suspended from trading and - or de-listed at any time in accordance with applicable rules and regulations of the relevant stock exchange(s). This may result in reduced liquidity or a reduction in the value of the bonds.

ASSET-BACKED SECURITY (ABS)

An asset-backed security ("**ABS**") is a debt security in respect of which the income payments, and therefore the value, are derived from and collateralized (or "**backed**") by a specified underlying asset or pool or underlying assets.

The asset can be a loan, a lease or a pool of secured loans or receivables relating to assets such as cars, aircraft or real estate or revenue streams (for example, trade debts or football ticket sales). In addition to the risks outlined in "Debt Instruments" and "Bonds" above, the holder of an ABS is exposed to certain risks including, but not limited to, the following:

Credit Risk: the holder of an ABS is exposed to the credit risk of the issuer of the ABS and the borrower against the underlying asset - for example, the company that has taken out a loan against an aircraft. These two risks may be related. Wide-spread default by underlying obligors may lead to the insolvency of the issuer of the ABS.

Operational Risk: often an ABS is issued by a **Special Purpose Vehicle** (“**SPV**”) which is specifically formed for the purpose of issuing the ABS and purchasing the relevant asset or assets. An SPV is highly dependent on third parties such as corporate service providers, servicers - asset managers, paying agents, trustees and other service providers to meets its own obligations. It is therefore exposed to the operational and credit risk of those third parties.

Shortfall: the right of a holder of an ABS to participate in the assets of the issuer will be limited to the net proceeds of the assets secured for such holder’s benefit. Such proceeds may be insufficient to meet all (or, depending on the transaction or circumstances, any) payments due under such ABS.

Market Risk: a holder of an ABS is exposed to market risk in respect of the underlying asset. If the market value of the collateral against which the loan has been made falls or liquidity is reduced, the issuer of the ABS may be unable to recover the full amount of the loan it has made to a defaulting borrower.

Ownership: the holder of the relevant ABS does not have any ownership rights over the underlying assets and will therefore have no claim over the underlying obligor(s) in the event of its or their insolvency.

Performance of Manager: the performance of the manager of the SPV may also affect the value of the ABS. If the SPV (or originator or portfolio manager) has incorrectly assessed the risk profile of the securitized assets, the rate of default may exceed expectations and increase the risk of losses.

Early Termination: ABS transactions may be terminated prior to their maturity date (due to regulatory, tax change or other events of default). Early termination may mean an investor’s expected return is not provided and - or not all the investment is returned. The holder of the relevant ABS may not be able to reinvest the proceeds in a product with comparable returns.

STRUCTURED PRODUCTS

Structured products provide economic exposure to a wide range of underlying asset classes, generally taking the form of a debt obligation embedding a derivative. The level of income - capital growth derived from a structured product is usually linked to the performance of the relevant underlying asset(s).

The range of products may include those where the return is linked to an index or indices, a basket of securities or other specified factors which relate to one or more of the following: equity or debt securities, interest rates, currency exchange rates, commodities, depositary receipts, shares in ETF’s, interests in mutual funds, warrants or dividend futures contracts.

The potential return from the structured product may be different to that which may be achieved as compared to directly holding the underlying asset.

These instruments may involve a high degree of gearing or leverage, so that a relatively small movement in the relevant index - indices, basket or other specified factor(s) results in a disproportionately large movement, unfavorable or favorable, in the amount paid on maturity of the investment.

Certain structured products provide capital protection whilst others provide no capital protection. It may be difficult to liquidate or sell a product of this type as there may be limited providers of liquidity.

You will also be exposed to the credit risk of the issuer of the relevant structured product and may lose up to the entire value of your investment if the issuer fails or is otherwise unable to meet its payment obligations.

Structured products are complex in nature and carry a higher risk of loss than certain more straightforward debt and equity products.

Therefore, in addition, investors in structured products should be aware of certain additional risks relevant to certain specific product types.

CURRENCY RISK

In respect of any foreign exchange transactions and transactions in derivatives and securities that are denominated in a foreign currency, a movement in exchange rates may have a favorable or an unfavorable effect on the gain or loss achieved on such transactions.

The weakening of a country's currency relative to a benchmark currency 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.

FINANCIAL INSTRUMENTS AND PRODUCTS

Where a financial instrument or service (a "**bundled product**") is composed of two or more different financial instruments or services, the associated risks may be affected by the interaction between the different components. As a result, the risk profile of the bundled product may be greater than that of the individual components.

For example, the different components of the following may interact to affect the overall risk profile of the bundled product:

- **Products Embedding a Derivative:** certain products may be regarded as containing an embedded derivative. Where this is the case, the risk profile of the product may depend on how the risks arising in respect of the embedded derivative interact with the other components of the product. For example, a convertible bond may be regarded as composed of a bond together with an option over the shares in the issuer which may be exercised by converting the bond into equity.

  As a result, an investment in convertible bonds may give rise to bond risks - including exposure to the credit risk of the issuer, equity risks - including the risk of unforeseeable equity price fluctuations causing risk of loss and conversion risks - including the risk that the holder is unable to convert the bond to equity at the most advantageous time.

These risks may interact in that, for example, the equity related risk of unforeseeable price fluctuations may be correlated with heightened credit risk in the issuer. Other examples of products which may be regarded as embedding a derivative may include - but are not limited to - exchangeable bonds and credit linked notes.

- **Products which have Derivatives as Underliers:** certain derivative products may themselves have derivatives as underliers. Where this is the case, the risk profile of the product may depend on how the risks arising in respect of the derivative combine with those of its derivative underlier. For example, a swaption may be regarded as composed of both a swap and an option.

  As a result, an investment in a swaption may give rise to risks relating to the option - including exposure to the risk the option may not be in the money at the time it must be exercised - and risks relating to the underlying swap - including exposure to the market risks of the relevant underlying cash flows. These risks may interact in that, for example, the risk that the option is not in the money at the time it is exercised may be correlated with market risks relating to the underlying cash flows.

The list of bundled products set out above is non-exhaustive. Where an instrument is a bundled product, we may provide additional risk disclosures to the extent required under applicable rules.

This may include providing an adequate description of the legal nature of the financial instrument, the components of that instrument and the way in which the interaction between the components affects the risks of the investment. You should not deal in any bundled product unless you understand its nature and the extent of your exposure to risk and potential loss.

WARNING

There is considerable exposure to risk in any foreign exchange transaction. Any transaction involving currencies involves risks including, but not limited to, the potential for changing political or economic conditions that may substantially affect the price or liquidity of a currency. Investments in foreign exchange speculation may also be susceptible to sharp rises and falls as the relevant market values fluctuate. Trading foreign currencies as well as involvement with financial commodities and securities can be a challenging and potentially profitable opportunity for investors. However, before deciding to participate in the Forex market, you should carefully consider your investment objectives, level of experience, and risk appetite. Most importantly, do not invest money you cannot afford to lose.

The leveraged nature of Forex trading means that any market movement will have an equally proportional effect on your deposited funds. This may work against you as well as for you. Not only may investors get back less than they invested, but in the case of higher risk strategies, investors may lose the entirety of their investment. It is for this reason that when speculating in such markets it is advisable to always relate with any of our available online administrators for guide regarding these trades.