

**APPROVED**

at JSC Baltic International Bank  
Board meeting of 6 December 2019  
Minutes No. 01-05/74/19

**DESCRIPTION OF THE FINANCIAL INSTRUMENTS AND INHERENT RISKS**

**Investment in financial instruments is subject to the risks described in this document.** Materialisation of risks may result in losses for the Client (including loss of the initially invested amount or principal) and/or failure to attain the intended investment objectives. In individual cases, the amount of losses may well exceed the amount of money originally invested. The Client shall pay close attention to all risks related to financial instruments, to independently assess the compatibility of the above risks and own objectives. The Client is aware that the above list of risks is not exhaustive and other risks may arise in the course of the transaction. The Client is aware that he/she assumes the risks inherent in financial instruments and transactions in them, and the Bank is not obliged to bear the losses incurred by the Client as a result of the materialisation of such risks.

**1. Investment risks**

Risk		Risk description			
<b>Credit risk</b>	<b>Risk of default by the Issuer</b>	Risk of loss if the issuer of financial instruments fails or, due to certain circumstances, refuses to perform its obligations towards the holder of the financial instruments (the Client), which, in turn, may affect the price of financial instruments issued by the issuer and/or hinder the holder of the financial instruments (the Client) to receive payments due to it (according to the terms of the relevant financial instrument) by the deadlines specified in the terms of the financial instrument.			
	<b>Risk of downgrading</b>	The risk of loss if the credit rating of a debt financial instrument is reduced as a result of deterioration of the credit quality of its issuer; while such a reduction may result in a decrease in value of the financial instrument.			
	<b>Spread increase risk</b>	The risk of loss in the event if credit spread ( <i>difference between the return on the relevant financial instrument and a risk-free instrument of the same maturity (benchmark)</i> ) related to the decrease in value of a debt financial instrument is increased as a result of deterioration of the credit quality of the issuer of this instrument.			
<b>Market price risk</b>		<p>The risk of loss related to adverse changes (fluctuations) in the market price of a financial instrument or its underlying asset, which, in turn, may adversely affect the return expected by the holder of the financial instrument (the Client) as well as cause other losses.</p> <p>The Client may incur losses due to the revaluation of financial instruments as a result of changes in their market price. The market price may change as a result of changes in exchange rates, interest rates or other factors.</p>			
<b>Liquidity risk</b>		The risk of loss related to the potential need to sell financial instruments at a discount to their market value where the financial instruments need to be sold within the shortest possible time and in circumstances where the demand for the financial instrument sold is limited, and the risk of the impossibility to purchase or sell this financial instrument due to a lack of			
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	demand or supply, and the risk of restrictions on the sale or liquidation of assets (illiquid assets, fixed-term assets). In this case, the possible withdrawal method is the sale of assets on the market at a price that may differ substantially from the market or valuation price, which may result in a loss to the Client. Implementing the sale of such a financial instrument can take considerable time and depends on the market situation and the counterparties available to the Bank.
<b>Interest rate risk</b>	Risk of loss due to unfavourable fluctuations in market interest rates, which may adversely affect the value of financial instruments. Changes in interest rates may result in (1) a decrease in the current value of cash flows receivable by the Client, (2) an increase in the current value of future liabilities of the Client, (3) a counterparty or issuer exercising the option in a manner that may result in a loss to the Client.
<b>Currency risk</b>	A risk of loss related to changes (fluctuations) in currency exchange rates, which may decrease the value of financial instruments in the base currency determined by the Client, increase the value of liabilities of the Client in the base currency determined by the Client, decrease expected profit or cause other losses to the financial instrument holder (the Client).
<b>Systems-related risk</b>	As a result of materialisation of this risk, there is a probability that the Client will incur losses as a result of damage to information systems, electronic systems or remote customer service systems or unauthorised access to the systems by third parties (using identification details of the Client or otherwise) as well as due to other external circumstances.
<b>Risk of early performance of obligations</b>	Risk of losses in the event where a financial instrument owned by the Client is redeemed prematurely, i.e. the issuer (counterparty) will perform its obligation prior to the originally scheduled maturity date(s) or will request the early performance of obligations of the financial instrument holder/the Client (counterparty).
<b>Risk of forced closing of position</b>	Risk of loss in the event where open positions of the Client will be closed without the order of the Client concerned, including without informing the Client, as well as in the events set forth in the agreement or provided by the international market practices as described in the terms and conditions of the respective financial instruments.
<b>Leverage (margin trading) risk</b>	The Client is using a leverage mechanism (credit leverage), or borrowed funds, to perform the transactions. Therefore, the amount of obligations assumed by the Client significantly exceeds the collateral provided by the Client and the amount of losses of the Client may significantly exceed the amount of funds invested due to adverse changes (fluctuations) in the market situation, thus creating a debt for the Client.
<b>Country risk</b>	Risk related to adverse events in a particular country or its region that directly or indirectly affect operations of issuers located in that country or its region and, accordingly, the value of the financial instruments issued in that country and/or the amount of income payable to the financial

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	instrument holder (the Client).
<b>Risk of regulatory changes, including tax risk</b>	Risk of loss related to amending certain national laws and regulations (legal regulation), entry into force of new laws and regulations or changes in law enforcement practices that may result in loss, additional expense, tax burden or reduced return on investment for the Client.
<b>Counterparty or default risk</b>	The risk of loss in the event where the counterparty (a legal entity of the Republic of Latvia or a foreign country authorised under the laws of that country to provide investment services and ancillary investment services or to register and account financial instruments, to secure transactions in financial instruments and cash settlement in transactions in financial instruments), and which the Bank needs to cooperate with or whose services are required for the Bank to provide the investment services) will, in certain circumstances, be unable or refuse to perform its obligations towards the Bank for the benefit of the Client (the holder) and/or the Client (the holder), as well as in relation to the fact that the counterparty or its affiliated person uses the Client's assets, including in transactions with other persons, pledges the Client's assets (any part thereof), applies the right of offset or otherwise encumbers with the rights and obligations of third parties, as the result of which the Client may irreversibly lose all or part of the assets or the Client's ability to freely dispose of the assets will be significantly impaired.
<b>Risk related to over-the-counter (OTC) transactions</b>	The risk of loss that may materialise because of the <i>OTC</i> (over-the-counter) transactions not being subject to the specific mandatory regulation, which may result in unexpected interruption of, irregular or not permanent, or otherwise encumbered <i>OTC</i> transactions. It may also make it difficult or impossible to determine the price of a financial instrument, closing a position or implementing procedures to identify the risks associated with a transaction.
<b>Model-related risk</b>	The risk of loss in the event where the models used to determine fair value of a financial instrument used by or in the interest of the Client may turn out to be incomplete, inaccurate or erroneous, and the fundamental value of the financial instrument assessed by using such may turn out to be inconsistent with its fair value.
<b>Risk of litigation</b>	The risk of loss in the event where investment activity of the Client and/or activity of the issuers of financial instruments, investment operations of intermediaries or activities of other persons (directly related to the investment activity of the Client) may provide grounds for litigation by a third party.
<b>Risk of application of foreign law</b>	The risk of loss, including full or partial, if transactions, financial instruments of the Client, their holding, accounting are subject to foreign law and market practices (such as in cases where the issuer of the financial instrument, depositary, other financial instrument holder or counterparty is located abroad), which may provide for different (including less favourable) provisions for the protection of the Client, holding of financial instruments,

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	execution of orders, etc., may be ambiguous, subject to different interpretations, and may be subject to permanent amendments or restrictions.
<b>Counterparty insolvency risk</b>	Counterparty insolvency risk (and risk of other special administration regimes): Total or partial loss, prolonged inaccessibility of financial instruments owned by the Client, encumbered or impossible execution of orders, inability to exercise rights related to financial instruments or unavailability of information due to insolvency of the counterparty (or sub-counterparty) holding the financial instruments or involved in the execution of the order or settlement, or due to another process that limits or suspends its operation. Holding of financial instruments may be subject to foreign law or market practices, which may differ substantially from that in Latvia, and the Client's right to financial instruments may be affected by unpredictable decisions of the legislator, executive power or courts of the country concerned. The Client may not recover the financial instruments, but within the insolvency of the counterparty their value may be compensated (or partially compensated) in cash by determining the value of the financial instruments in accordance with the laws of the respective foreign country. In such an event, the Bank shall only distribute the funds actually received from the counterparty proportionally to the Clients to which the disbursement applies. In the event of insolvency of the counterparty and other similar proceedings, there is a risk that neither financial instruments nor their cash value will be recovered.
<b>Risk of holding financial instruments registered outside the European Union (EU)</b>	Individual countries outside the EU (such as the United States, Russian Federation) may have different or incomplete regulation regarding the holding of financial instruments for the benefit of other persons and the requirements for the separate holding of financial instruments owned by the Clients may be non-existent or differ from those in Latvia. The Bank, its intermediary or another person involved by the intermediary (sub-intermediary), not the Client of the Bank, may be regarded as the owner of the financial instruments, and the financial instruments owned by the Client of the Bank may be encumbered or alienated as the property of the person, in whose name they are registered abroad, although the Bank has notified the intermediary that financial instruments belonging to the Client of the Bank are held with it. Even if the laws of such countries provide the opportunity for foreign professional market players, like the Bank, to open nominee accounts for holding financial instruments belonging to the Clients, due to the specifics of individual countries or issuers of financial instruments, such accounts are not always opened, for example in the Russian Federation. Inadequate tax rates may also be applied to transactions, income from such or events in financial instruments as a result of imperfections in the system for holding financial instruments or actions of intermediaries, issuers of financial instruments.
<b>Information risk</b>	The risk that the Client may incur losses because no true, complete and comprehensive information on exchange rates, prices of financial instruments, market trends, events, financial position of the issuer and other factors is available.

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<b>Risk of inefficiency in the placement of orders</b>	The market situation will not always allow one to perform the Client's orders aimed at limiting losses at the prices stated therein.
<b>Risk associated with trading outside the trading session period</b>	The risk that the Client may incur losses if the order is placed after the end of the trading session, is lost, not executed or executed late or at an inadequate price.
<b>Bail in risk</b>	Risk in investing the unsecured financial instruments issued by credit institutions and investment broker companies in connection with the credit institution and investment broker company recovery and resolution regime provided by European Union Directive 2014/59/EU. Upon a credit institution or investment broker company facing financial difficulty, its shareholders and creditors, including bondholders, may be the first to participate in covering its losses. In the event of the resolution of the issuer, the position of the Client will depend on its position in the creditors' hierarchy, which may change due to the preference of depositors. Holders of unsecured bonds will be put at a disadvantage compared to depositors and holders of secured bonds. Should the competent supervisory authority of the European Union decide to exercise the write-off or conversion rights, the issuer's, a credit institution or investment broker company: (i) liability to the holder of financial instrument may be reduced, including to zero, debt securities may be converted into shares or other equity instruments, (ii) debt security maturity, interest payment dates may be changed, disbursements may be suspended, (iii) assets may be transferred to another bank or business may be sold, which may affect the issuer's ability to meet its obligations to investors.
<b>Electronic trading risk</b>	The risk that the Customer may incur losses due to the fact that electronic trading may differ from regular trading as well as between electronic trading in different systems; it is subject to additional risks related to possible damage or malfunctioning of devices and software, misrepresentation of information, as a result of which orders submitted may be executed incorrectly, late or not executed at all.
<b>Risk of using trading platforms</b>	Use of a trading platform, including using it for the submission of orders, is characterised by additional risks that may arise due to errors, malfunctions of the platform, connection, operation interruption, speed of response of the platform, failures and similar circumstances, order sending/receiving error, disappearance, delay, non-execution, delayed execution, unauthorised access by third parties, data corruption, etc. The operation and terms of use of trading platforms are determined by the platform owner (other than the Bank), which may restrict or terminate the operation of the platform without notice. Errors or malfunctions of the trading platform can also be caused by platform damage, software failures, viruses. Due to platform damage or errors, information about the Client and orders stored in it may become available to third parties. All conclusions and actions made on the basis of the information available on the platform shall be made solely at the Client's own risk and the Bank shall accept no liability for any losses arising from the use of such information.
<b>Risk of means of communication</b>	Risk of loss due to malfunctions, damage or errors of information, electronic or remote service systems as well as unauthorised access by third

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	<p>parties. As a result, orders may not be submitted for execution, disappear or fail to execute, and the Client will not be able to implement the intended trading strategy to buy or sell financial instruments, open or close positions, and therefore will not earn the expected profit. Information may not be available or made available to third parties. Outside the brokerage hours of the Bank, it is not possible to transact on financial markets, the working hours of which are beyond the brokerage hours of the Bank (such as US, Canadian, or Japanese markets, or FOREX trade around the clock). The Client may incur losses if no means of communication is available to sell financial instruments owned by it or to close open positions outside the working hours of the Bank if the market situation deteriorates. Even if the Client uses a trading platform, the Bank cannot guarantee that the trading platform will always be available and cannot exclude its malfunctioning.</p>
<p><b>Other risks</b></p>	<p>Operations of the investment service provider may also be affected by other risks that the investment service provider cannot fully anticipate or control. For example, in the event of the occurrence of various force majeure circumstances (such as natural disasters, hostilities, strikes, etc.), there is false or incomplete information about the issuer, national sanctions and court judgments against the issuer or any of the counterparties and similar events that may substantially reduce the value of invested funds.</p> <p>The list of risks mentioned in this description is not exhaustive, therefore the investment service recipient (the Client) should consider that investment in financial instruments involves additional risks.</p>

## 2. Description of the financial instruments and their inherent risks

**2.1. Debt financial instruments** Debt financial instruments are financial instruments that, in accordance with their terms of emission (issue), provide for the following: at the time of the issuance of the instrument, the issuer receives a loan from bond purchasers; in the future, the issuer is obliged to pay bond purchasers/holders (according to a specified schedule) a certain cash flow, which may be fixed (fixed income bonds), be linked to a specific market indicator (such as future interbank interest rate index value) or may depend on the instrument's optionality, which is specified in the terms and conditions of the instrument. Usually the cash flow received by the Client includes the redemption amount, i.e. the principal (initial loan) of the debt financial instrument must be redeemed (repaid) within the given term, but sometimes convertible bonds and perpetual bonds may not be redeemed within the given term. Debt financial instruments may be secured by pledged assets belonging to the issuer, or may not be secured, and may be subordinated to other liabilities of the issuer.

Short description of the financial instrument	Risks inherent in financial instruments
<b>Bonds</b>	
<b>2.1. Debt financial instruments</b>	credit risk market price risk liquidity risk
<b>2.1.1. A fixed income bond with principal redemption at maturity (<i>plain vanilla bond</i>) is a</b>	interest rate risk

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<p>debt security that confirms the issuer's commitment to pay a coupon (yield) at a fixed percentage of the par value of the bond to the bondholder or bond owner at a specified term(s) and to redeem the bond (pay out the par value of the bond) at the end of the bond turnover period.</p> <p><b>2.1.2. Different types of bonds may have different terms and conditions. Possible characteristics are listed in this paragraph</b></p>	<p>risk of early performance of obligations  currency risk  systems-related risk  country risk  risk of regulatory changes, including tax risk  counterparty risk  risk related to over-the-counter (OTC) transactions  risk of litigation  model-related risk  Risk of application of foreign law  Counterparty insolvency risk  Risk of holding financial instruments registered outside the European Union (EU)  Information risk  Risk associated with trading outside the trading session period  Bail in risk  Electronic trading risk  Risk of using trading platforms  Risk of means of communication  other risks</p>
<p>Debt financial instruments (bonds) can be divided:</p>	
<p>By Coupon type</p> <ul style="list-style-type: none"> <li>with a fixed rate</li> <li>with a variable rate</li> </ul>	
<p>By the Issuer</p> <ul style="list-style-type: none"> <li>Sovereign</li> <li>Corporate</li> <li>Supranational</li> </ul>	
<p>By way of receiving the Coupon</p> <ul style="list-style-type: none"> <li>With periodic payment</li> <li>With coupon payout at redemption</li> <li>Without a coupon (discount)</li> </ul>	
<p>By the Principal repayment method</p> <ul style="list-style-type: none"> <li>With periodic repayment of principal</li> <li>With principal payout at redemption (<i>bullet</i>)</li> </ul>	
<p>By Claim priorities</p> <ul style="list-style-type: none"> <li>Secured with asset collateral</li> <li>Unsecured</li> <li>Subordinated</li> </ul>	
<p>By the deadline until maturity</p> <ul style="list-style-type: none"> <li>Short term (up to 1 year maturity; includes commercial bills of exchange, treasury bills, treasury promissory notes, etc.)</li> <li>Medium term (1-5 years)</li> <li>Long term (more than 5 years)</li> <li>Perpetual</li> </ul>	
<p>By features of registration with trading venues</p> <ul style="list-style-type: none"> <li>Listed</li> <li>Private placement</li> </ul>	
<p>By the option of the instrument holder or issuer</p> <ul style="list-style-type: none"> <li>No option</li> <li>Puttable, which grants the holder the right to redeem the bond before maturity;</li> <li>Callable, which grants the issuer the right to redeem the bond before maturity;</li> <li>Convertible, which provides for the opportunity</li> </ul>	

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to convert bonds into shares	
By the ability of the instrument to provide protection against inflation <ul style="list-style-type: none"> <li>• Ordinary</li> <li>• Inflation-indexed (bond principal and coupon payments are indexed to a specific price index)</li> </ul>	
There are other features possible, according to which the debt financial instruments are categorised.	

## 2.2. Capital financial instruments

Equity financial instruments are financial instruments that provide shareholding in the equity of a particular company (issuer). Equity financial instruments do not involve an obligation to redeem the instrument within a specified time, nor do they normally give the holder the option to receive a predetermined cash flow (except for preference shares), but entitle one to participate in the distribution of the company profit by receiving dividends.

Short description of the financial instrument	Risks inherent in the financial instrument
<b>Shares</b>	
<p><b>2.2.1. Shares</b> are equity securities representing the title of their owner to a share of equity of the company. Shares entitle their holder to a share of profit of the joint stock company (dividends) or a liquidation quota in the event of liquidation of the joint stock company. Share income consists of dividends, the amount of which is usually determined by the general meeting of shareholders when deciding on the distribution of profit of the joint stock company.</p>	<p>credit risk (risk of default by the issuer)  market price risk  liquidity risk  currency risk  system-related risk  country risk  risk of regulatory changes, including tax risk  counterparty (default) risk  risk related to over-the-counter (OTC) transactions  risk of litigation  model-related risk  Risk of application of foreign law  Counterparty insolvency risk  Risk of holding financial instruments registered outside the European Union (EU)  Information risk  Risk of inefficiency in the placement of orders  Risk associated with trading outside the trading session period  Bail in risk  Electronic trading risk  Risk of using trading platforms  Risk of means of communication  other risks</p>

## 2.3. Derivative financial instruments

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Financial instruments that change in value depending on the value of the underlying asset (the underlying asset may be currency rate pairs, stock market indexes, bonds, interest rates, commodities (including precious metals) and other financial and physical assets) are derivative financial instruments. Derivative transactions may be executed on the stock exchange or directly between the counterparties (*OTC*). In order to execute derivative transactions, a security deposit (collateral) is required to be deposited with the counterparty (Bank, exchange, counterparty). The Client is obliged to replenish the security deposit in due time up to the requested amount (set level) in the case of changes in prices or trading conditions. Derivatives may and may not require physical delivery of the underlying asset. The price of a derivative may be affected by the risks inherent in the underlying asset of that financial instrument. There are various kinds of derivative financial instruments:

Short description of the financial instrument	Risks inherent in the financial instrument			
<b><i>Derivative financial instruments</i></b>				
<p><b>2.3.1. Futures Contracts</b> are standardised futures contracts, which determine the duty of the buyer or the seller to buy or sell/deliver a specified quantity of the underlying asset at a specified date in the future at a fixed location at a given price.</p> <p>It is often not necessary to reserve funds at full contract value at the time of the transaction to buy or sell futures contracts.</p>	<ul style="list-style-type: none"> <li>liquidity risk</li> <li>currency risk</li> <li>systems-related risk</li> <li>market price risk</li> <li>credit risk (risk of default by the issuer)</li> <li>leverage (margin trading) risk</li> <li>risk of forced closing of position</li> <li>country risk</li> <li>risk of regulatory changes, including tax risk</li> <li>risk of litigation</li> <li>model-related risk</li> <li>counterparty (default) risk</li> <li>risk related to over-the-counter (OTC) transactions</li> <li>Risk of application of foreign law</li> <li>Counterparty insolvency risk</li> <li>Information risk</li> <li>Risk of inefficiency in the placement of orders</li> <li>Risk associated with trading outside the trading session period</li> <li>Electronic trading risk</li> <li>Risk of using trading platforms</li> <li>Risk of means of communication</li> <li>other risks</li> </ul>			
<p><b>2.3.2. Forward Contracts</b> are non-standardised OTC contracts to be entered into by and between two specific parties.</p> <p>Under the provisions of non-standardised futures contracts, the buyer or seller is required to purchase or deliver the agreed amount of the underlying asset at an agreed future date at an agreed price or to perform an alternative financial obligation.</p>	<ul style="list-style-type: none"> <li>risk related to over-the-counter (OTC) transactions</li> <li>credit risk (risk of default by the issuer)</li> <li>liquidity risk</li> <li>currency risk</li> <li>market price risk</li> <li>systems-related risk</li> <li>leverage (margin trading) risk</li> <li>risk of forced closing of position</li> <li>country risk</li> <li>risk of regulatory changes, including tax risk</li> </ul>			
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	<ul style="list-style-type: none"> <li>risk of litigation</li> <li>model-related risk</li> <li>counterparty (default) risk</li> <li>Risk of application of foreign law</li> <li>Counterparty insolvency risk</li> <li>Information risk</li> <li>Risk of inefficiency in the placement of orders</li> <li>Electronic trading risk</li> <li>Risk of using trading platforms</li> <li>Risk of means of communication</li> <li>other risks</li> </ul>			
<p><b>2.3.3. Option contracts</b> are contracts that give the purchaser the right but not the obligation to buy or sell a specified amount of underlying asset at a specified future date or period at a specified price. The option contract seller is obliged to fulfil the specified obligations. The option contract buyer pays a premium to the option seller for the option to exercise the right in the future.</p>	<ul style="list-style-type: none"> <li>market price risk</li> <li>risk of forced closing of position</li> <li>liquidity risk</li> <li>currency risk</li> <li>systems-related risk</li> <li>leverage (margin trading) risk</li> <li>country risk</li> <li>risk of regulatory changes, including tax risk</li> <li>risk of litigation</li> <li>model-related risk</li> <li>counterparty (default) risk</li> <li>risk related to over-the-counter (OTC) transactions</li> <li>credit risk (risk of default by the issuer)</li> <li>Risk of application of foreign law</li> <li>Counterparty insolvency risk</li> <li>Risk of holding financial instruments registered outside the European Union (EU)</li> <li>Information risk</li> <li>Risk of inefficiency in the placement of orders</li> <li>Risk associated with trading outside the trading session period</li> <li>Electronic trading risk</li> <li>Risk of using trading platforms</li> <li>Risk of means of communication</li> <li>other risks</li> </ul>			
<p><b>2.3.4. Currency swap transaction</b> is a transaction between the Bank and the Customer, according to which the buyer/seller of currency, financial instruments or other assets commits to sell/buy respectively (i.e. to enter into reverse transactions) the currency, financial instrument or assets on the transaction maturity date for a predetermined price.</p>	<ul style="list-style-type: none"> <li>market price risk</li> <li>risk of forced closing of position</li> <li>liquidity risk</li> <li>currency risk</li> <li>systems-related risk</li> <li>leverage (margin trading) risk</li> <li>country risk</li> <li>risk of regulatory changes, including tax risk</li> <li>risk of litigation</li> <li>model-related risk</li> <li>counterparty (default) risk</li> <li>risk related to over-the-counter (OTC) transactions</li> <li>interest rate risk</li> <li>credit risk (risk of default by the issuer)</li> <li>Risk of application of foreign law</li> </ul>			
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	<ul style="list-style-type: none"> <li>Counterparty insolvency risk</li> <li>Information risk</li> <li>Risk of inefficiency in the placement of orders</li> <li>Electronic trading risk</li> <li>Risk of using trading platforms</li> <li>Risk of means of communication</li> <li>other risks</li> </ul>
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## 2.4. Instruments permitting use of leverage

Leverage is actually a monetary loan received, directly or indirectly, from a brokerage service provider against a pledge of financial instruments to be acquired (or already existing), usually for the purpose of purchasing financial instruments. It is often required to pay a creditor a margin, which serves as security against changes in the market price of the financial instruments purchased. Allows one to receive exposure to this instrument for an amount that significantly exceeds the amount of the initial investment, but also significantly increases the risk of loss in the event of an adverse change in the value of the instrument (the amount of loss may exceed the amount of initial investment).

<p><b>2.4.1. Contract for difference (CFD)</b> is an agreement between two parties to a transaction on exchange (at maturity) with the difference in the value of the contract (with regard to a pre-selected financial instrument) arising between the opening and closing prices of the above contract.</p>	<ul style="list-style-type: none"> <li>market price risk</li> <li>risk of forced closing of position</li> <li>liquidity risk</li> <li>currency risk</li> <li>systems-related risk</li> <li>leverage (margin trading) risk</li> <li>country risk</li> <li>risk of regulatory changes, including tax risk</li> <li>risk of litigation model-related risk</li> <li>counterparty (default) risk</li> <li>risk related to over-the-counter (OTC) transactions</li> <li>risk of application of foreign law</li> <li>counterparty insolvency risk</li> <li>Information risk</li> <li>risk of inefficiency in the placement of orders</li> <li>electronic trading risk</li> <li>risk of using trading platforms</li> <li>risk of means of communication</li> <li>other risks</li> </ul>
<p><b>2.4.2. Repo transaction</b> is a transaction whereby the Client sells a certain quantity of certain financial instruments to the Bank on a specified date at a specified price and for a specified amount (for a specified period of time and under the specified conditions), with the duty of the Client to redeem the financial instruments on a specified future date for a pre-agreed price and a pre-agreed amount.</p>	<ul style="list-style-type: none"> <li>market price risk</li> <li>risk of forced closing of position</li> <li>liquidity risk</li> <li>currency risk</li> <li>systems-related risk</li> <li>leverage (margin trading) risk</li> <li>risk of early performance of obligations</li> <li>country risk</li> <li>risk of regulatory changes, including tax risk</li> <li>risk of litigation</li> <li>model-related risk</li> </ul>

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	<p>counterparty (default) risk  risk related to over-the-counter (OTC) transactions  interest rate risk  credit risk  risk of application of foreign law  counterparty insolvency risk  risk of holding financial instruments registered outside the European Union (EU)  information risk  electronic trading risk  risk of means of communication  other risks</p>
<p><b>2.4.3. FX marginal transaction</b> is a transaction entered into by the Customer with a view to profit from exchange rate fluctuations by paying a margin and making payments only in respect to the amount of profit or loss calculated by netting, and arising after closing the position open by the Client by entering into the offset deal.</p>	<p>market price risk  risk of forced closing of position  liquidity risk  currency risk  systems-related risk  leverage (margin trading) risk  country risk  risk of regulatory changes, including tax risk  risk of litigation  model-related risk  counterparty (default) risk  risk related to over-the-counter (OTC) transactions  risk of application of foreign law  counterparty insolvency risk  information risk  risk of inefficiency in the placement of orders  risk associated with trading outside the trading session period  electronic trading risk  risk of using trading platforms  risk of means of communication  other risks</p>

## 2.5. Collective investment products

Short description of the financial instrument	Risks inherent in the financial instrument
<b><i>Investment certificates of investment funds and exchange traded index funds (ETFs)</i></b>	
<p><b>2.5.1. Investment certificates of open-end investment funds</b> are financial instruments evidencing the investor's participation in an investment fund. Investment funds are collective investment institutes that accumulate investment by issuing their own securities,</p>	<p>credit risk (risk of default by the issuer)  market price risk  liquidity risk  currency risk  systems-related risk  country risk  risk of regulatory changes, including tax risk</p>

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<p>namely investment certificates. The investment fund is managed by an investment management company. The funds of individual investors are pooled into a single investment portfolio in which each individual investor owns a proportional share of the investment.</p> <p>The assets of the investment fund are managed by a professional holding company that invests the investment in shares, bonds or other financial instruments.</p> <p>The benefits of investment funds include professional fund management, extensive portfolio diversification opportunities, access to different market segments through the fund and liquidity.</p>	<p>risk of litigation model-related risk counterparty (default) risk risk of application of foreign law counterparty insolvency risk risk of holding financial instruments registered outside the European Union (EU) information risk risk of using trading platforms risk of means of communication other risks</p>
<p><b>2.5.2. Investment certificates of closed-end investment funds</b></p> <p>The characteristics of a closed-end investment fund may differ in various jurisdictions where the closed-end fund is established. Most often, a closed-end investment fund differs from a typical investment fund in that the management company of a closed-end investment fund is prohibited from repurchasing investment certificates and/or the closed-end investment fund only issues a certain number of investment certificates once. This category includes real estate funds, venture capital funds, hedge funds and private equity funds.</p>	<p>credit risk (risk of default by the issuer) market price risk liquidity risk currency risk systems-related risk country risk risk of regulatory changes, including tax risk risk of litigation model-related risk counterparty (default) risk risk of application of foreign law counterparty insolvency risk information risk risk of using trading platforms risk of means of communication other risks</p> <p><b>Note:</b> The investment certificates may not be traded on the stock exchange and the issuer is not obliged to repurchase the investment certificate from the investor.</p>
<p><b>2.5.3. Exchange traded fund (ETF) units</b> are financial instruments that reflect the dynamics of the value of a specific pool of assets, such as the value of a specific stock index. An exchange-traded fund may buy or provide exposure to this pool of assets through derivatives. Compared to open-end and closed-end funds, the exchange traded fund offers higher liquidity because the ETF units are sold/purchased on</p>	<p>credit risk (risk of default by the issuer) market price risk liquidity risk currency risk operational risk country risk risk of regulatory changes, including tax risk risk of litigation model-related risk counterparty (default) risk</p>

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<p>regulated markets, similarly to shares.</p>	<p>risk related to over-the-counter (OTC) transactions  risk of application of foreign law  counterparty insolvency risk  information risk  risk of inefficiency in the placement of orders  risk associated with trading outside the trading session period  risk of using trading platforms  risk of means of communication  other risks, including those inherent in the assets included in the fund.</p>
<p><b>2.2.4. A structured product</b> is a complex financial instrument based on a combination of several financial instruments. Allows one to provide certain financial instrument characteristics (parameters), such as hedging against certain types of financial risks. Typically, these products involve the creation of a pool of assets (membership which is sold to the investor). This category includes structured notes, structured certificates of deposit (CDs), structured bonds, capital-guarantee products, etc.</p>	<p>market price risk  liquidity risk  currency risk  systems-related risk  leverage (margin trading) risk  risk of early performance of obligations  country risk  risk of regulatory changes, including tax risk  risk of litigation  model-related risk  counterparty (default) risk credit risk (risk of default by the issuer)  risk related to over-the-counter (OTC) transactions  risk of application of foreign law  counterparty insolvency risk  information risk  risk of inefficiency in the placement of orders  risk of using trading platforms  risk of means of communication  other risks</p>

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