ADM Investor Services International Limited

Risk Disclosure Information about Financial Instruments

Per Se Professional

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Risk Disclosure – Information about Financial Instruments

In connection with the services provided by ADM Investor Services International Limited ('ADMISI'), we hereby provide you with additional information on products offered under the Terms of Business for Professional Clients (‘Terms’).

The information included in this Risk Disclosure document cannot explain everything about the nature and risks of financial instruments. Rather, this document is intended to provide a general overview and description of the nature and risks of financial instruments in respect of which ADMISI may offer services to you, as well as the risks particular to these instruments.

In general you should not deal in these instruments unless you understand the nature of the contract you will be entering into and the extent of the exposure to risk. You should also be satisfied that the contract is suitable for you in the light of your circumstances and financial position. Additionally specific products may be tailored for a particular client or market and may differ in detail from the outline set out in this document. The terms of any particular contract will prevail over the product description and information given in this document.

Although financial instruments can be utilised for the management of investment risk, some of these products may be unsuitable for many investors. Different instruments involve different levels of exposure to risk and in deciding whether you want to invest in any particular financial instruments, you should bear in mind the points outlined in this document. Also relationships with different brokers may differ depending on the product and style of the transaction; further clearing houses may not owe you a direct commitment.

Equity and Debt Securities

Buying equity securities, the most common form of which is shares, means that you will become a member of the issuer company and participate fully in its economic risk. In general, subject to the particular rights which attach to the equity securities, you will be entitled to receive any dividend distributed each year, if any, out of the issuer’s profits made during the reference period.

On the other hand, buying debt instruments, such as bonds and certificates of deposit, means that you are, in effect, a lender to the company or entity that has issued the securities. In general, subject to the particular rights which attach to the debt instruments, you are entitled to receive specified periodic interest payments, as well as a repayment of the principal at maturity.

Generally holdings in equity securities expose holders to more risk than debt securities since remuneration is tied more closely to the profitability of the issuer. 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.

There is an extra risk of losing money when shares are bought in smaller companies. There may be a difference between the buying price and the selling price of these shares. If they have to be sold immediately, you may get back much less than was paid for them. The price may change quickly and it may go down as well as up.

Holdings in debt securities, on the other hand, generally expose holders to the risk of not being remunerated only if the issuer is in a state of financial distress. Moreover, in the event of insolvency of the issuer, holders of debt securities are likely to be able to participate with other creditors in the allotment of the proceeds from the sale of the company's assets in priority to holders of equity positions.

Both holders of equity and debt securities will be exposed to the specific risks associated with individual securities held, and the financial soundness of the issuers, as well as the systemic risks of the equity and debt securities markets.

It may not always be apparent whether or not a particular security is purchased as an on exchange or off exchange transaction. ADMISI will endeavour to make it clear to you if you are entering into an off exchange transaction. While some off exchange markets are highly liquid, transactions in off exchange securities may involve greater risk than investing in on exchange securities because it may be difficult to liquidate an existing position to assess the value of the position or to assess the exposure to risk.

Warrants

A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities. Warrants often involve a high degree of gearing, so that a relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile.

It is essential for anyone who is considering purchasing warrants to understand that the right to subscribe, which a warrant confers, is invariably limited in time with the consequence that if the investor fails to exercise this right within the pre-determined timescale then the investment becomes worthless.

You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.

Transactions in off-market warrants may involve greater risk than dealing in market traded warrants because there is no access to a market through which to liquidate your position or to assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted, and even when they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

Securitised Derivatives

These instruments may give you a time-limited right to acquire or sell one or more types of investment which is normally exercisable against someone other than the issuer of that investment, or they may give you rights under a contract for differences which allow for speculation on fluctuations in the value of the property of any description or an index, such as the FTSE 100 index. In both cases, the investment or property may be referred to as the underlying instrument.

These instruments often involve a high degree of gearing or leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavourable or favourable, in the price of the instrument. The price of these instruments can therefore be volatile.

These instruments have a limited life and may (unless there is some form of guaranteed return of the amount you are investing in the product) expire worthless if the underlying instrument does not perform as expected. You should only buy this product if you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.

You should consider carefully whether or not this product is suitable for you in light of your circumstances and financial position, and if in any doubt you should seek professional advice.

Futures

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash.

The risk of loss in trading futures contracts can be substantial. You should, therefore, carefully consider whether such trading is suitable for you in light of your circumstances and financial resources. Placing contingent orders, such as 'stop loss' or 'stop limit' orders, will not necessarily limit your losses to the intended amounts, since market conditions on the exchange where the order is placed may make it impossible to execute such orders.

Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example, when the market reaches a daily price fluctuation limit ('limit move').

The 'gearing' or 'leverage' often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionally much larger movement in the value of your investment, and this can work against you as well as for you.

Futures transactions have a contingent liability, and you should be aware of the implications of this, in particular the margining requirements. You may sustain a total loss of the funds that you deposit with your broker to establish or maintain a position in the futures market, and you may incur losses beyond these amounts. If the market moves against your position, you may be called upon by your broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain your position. If you do not provide the required funds within the time required by your broker, your position may be liquidated at a loss, and you will be liable for any resulting deficit in your account.

You should consult ADMISI concerning the nature of the protections available to safeguard funds or property deposited for your account.

Options

There are many different types of options with different characteristics subject to the following conditions:

Buying Options: Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on an asset and you later exercise the option, you will acquire the asset. This will expose you to the risks described under the relevant sections above and below, including 'contingent liability transactions' where the option is on a future.

Writing options: If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (when the options will be known as 'covered call options') the risk is reduced. If you do not own the underlying asset ('uncovered call options') the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their options at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

Foreign Markets

Foreign markets will involve different risks from the UK markets. In some cases the risks will be greater. On request, ADMISI will provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which it will accept liability for any default of a foreign firm through whom it deals. The potential for profit and loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates. Such transactions may also be affected by exchange controls that could prevent or delay performance.

Contingent Liability Transactions

Contingent liability transactions, which are margined, require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

If you trade futures or sell options you may sustain a total loss of the margin you deposit to establish and maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be responsible for the resulting deficit.

Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered into the contract.

General Information

Exchange traded futures and options are not subject to a prospectus.

Exchange traded futures and options may give rise to liabilities for the investor, calculated in accordance with market or clearing house rules.

ADMISI may not deal directly in the relevant market but may act through one or more brokers or intermediaries. In such cases, your positions may be affected by the performance of those third parties in addition to the performance of ADMISI. Also, settlement of such transactions may not be effected via the market itself but may be effected on the books of ADMISI or of a broker or intermediary if such transactions can be crossed with equal and opposite orders of another participant transacting through the same firm, broker or intermediary. Your rights in such circumstances differ from those you would enjoy if your transaction was effected in the market.

The price and liquidity of any investment depends upon the availability and value of the underlying asset, which can be affected by a number of extrinsic factors including, but not limited to, political, environmental and technical factors. Such factors can also affect the ability to settle or perform on time or at all.

Any payment made or received in relation to any investment may be subject to tax and you should seek professional advice in this respect.

Where you are unable to transfer a particular instrument which you hold, to exit your commitment under that instrument, you may have to offset your position by either buying back a short position or selling a long position. Such an offsetting transaction may have to be over the counter and the terms of such a contract may not match entirely those of the initial instrument. For example, the price of such a contract may be more or less than you received or paid for the sale or purchase of the initial instrument.

Suspensions of Trading

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant market trading is suspended or restricted or if the systems of the relevant market cannot function for any reason.

Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

Clearing House Protections

On many markets, the performance of a transaction by ADMISI (or third party with whom ADMISI is dealing on your behalf) is ‘guaranteed’ by the market or clearing house. However, this guarantee is unlikely in most circumstances to cover you, the client, and may not protect you if we or another party defaults on its obligations to you. Not all markets operate in the same way and you should familiarise yourself with the operations of the relevant markets.

Insolvency

ADMISI's insolvency or default, or that of any other brokers or clearing services providers involved in your transactions, may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets that you lodged as collateral and you may have to accept any available payments in cash.