cornèrtrader

Risk disclosure statement for foreign exchange and CFD transactions

Transactions in foreign exchange and CFDs (contracts for difference) are highly speculative and carry a high level of financial risk, as they are subject to extreme fluctuations in price, which may cause substantial losses. Individuals should only undertake transactions in these products if they understand the exact nature of the transactions they are entering into, if they understand their exposure to risk and if they can assume a risk of loss in excess of their margin deposit (see section 3 below). They should therefore carefully consider whether trading in such products is appropriate for them in the light of their experience, objectives, financial resources and any other circumstances.

For the risks related to transactions in other financial products (such as forwards, futures and options) please refer to the brochure "Special Risks in Securities Trading", which also has been made available to you.

This document briefly describes some of the risks associated with trading in foreign exchange and contracts for difference (CFDs). All these financial instruments are margin products. **Please read carefully section 3 of this document regarding margin trading**.

This document does not purport to disclose all of the risks and does not replace the investor's personal understanding and experience of the above-mentioned products. **Independent financial advice should be sought from a specialist if necessary.**

Please note that any order you give will be executed only if there is sufficient liquidity in the market. Cornèr Banca SA (hereinafter "the Bank") shall have no obligation to act as buyer or seller and cannot guarantee that all the orders you give will be executed.

1. FOREIGN EXCHANGE (forex and FX options)

The foreign exchange market makes it possible for investors to speculate on the differences in exchange rates. Exchange rates may be influenced by world economic and political events as well as many other factors (such as extreme weather conditions and acts of terror). Changes in exchange rates may cause the value of your investment to go up or down.

2. CONTRACTS FOR DIFFERENCE (CFDs)

A contract for difference (CFD) allows you to speculate on the price difference of an underlying (such as shares, commodities, indices) without acquiring it. The market price of a CFD reflects the price of the underlying almost 1:1. In CFD trading only a percentage amount of the total value of the positions (underlying) is deposited as a margin guarantee (see paragraph 3 below). As the CFD position follows the market price of the underlying 1:1 and the margin is only a fraction of the total amount of the underlying, the resulting leverage effect is, in general, enormous.

The gain or loss of a CFD will be equal to the difference between the market price of the underlying at the moment the position is opened and its market price at the moment the position is closed. For the calculation of the total gain or loss, any commissions, financing costs (see section 2.6) and possible corporate actions (such as dividends, see section 2.4/2.5) need to be taken into consideration.

2.1 Risks related to long CFD positions (the purchase of CFDs)

Being long in CFDs means buying CFDs on the market because you think that the market price of the underlying will increase between the time of the purchase and sale.

As owner of a long position, you will generally make a profit if the market price of the underlying rises while your CFD position is open. In contrast, you will generally suffer a loss if the market price of the underlying falls while your CFD position is open. Your potential maximum loss is the difference between the market price of the underlying at the time of purchase and its market price at the time of the sell, multiplied by the number of CFDs (plus any commissions and financing costs). Your potential loss may therefore be bigger than the total margin you have deposited with the Bank. In addition, you might be obliged to close your positions at the worst possible time if you do not have enough funds (money) in your account.

2.2 Risks related to short CFD positions (for short selling CFDs)

Being short in CFDs means selling short the CFDs on the market because you think that the market price of the underlying will decrease between the time of the purchase and sale.

As owner of a short position, you will generally make a profit if the market price of the underlying decreases while your CFD position is open. In contrast, you will generally suffer a loss if the market price of the underlying increases while your CFD position is open. In this case, the loss is the difference between the market price of the underlying at the time of the sale and the market price at the time of the closing, multiplied by the number of CFDs (plus any commissions and financing costs). In theory, the loss could be unlimited. Your potential loss may therefore be bigger than the margin you have deposited with the Bank. In addition, you might be obliged to close your positions at the worst possible time if you do not have enough funds (money) in your account.

2.3 Market conditions

Under specific market conditions (such as lack of liquidity, suspension of trading), you may not be able to short sell a CFD even if such CFD is usually offered by the Bank, or, if you have already sold a CFD, the Bank may ask you to close your position. This may happen, for example, if the underlying share cannot be borrowed for various reasons, such as the announcement of a purchase offer, payment of dividends, detachments of rights or large, aggressive sales orders on the market. In addition, this may also happen due to the introduction of special provisions by the regulated markets (such as stock exchanges, in particular due to any prohibition on short selling that may be placed on an underlying that is listed).

2.4 Corporate actions

A CFD replicates the buying and selling of the underlying shares but you have no entitlement to voting or other shareholder rights, as you do not own the underlying with the purchase of a CFD.

Nevertheless, the issuing of shares by the company in which you hold CFDs may have an impact on your CFD positions and therefore on your account and your margin requirements. This also means that if your margin is fully utilized as a consequence of the issue of shares (increase or decrease in capital or any other corporate action), your position could be closed without any prior notice.

The Bank may exercise the corporate actions with or without prior notice. If the Bank exercises a *corporate action* without prior notice, it will give you notice as soon as reasonably practicable.

2.5 Payment of dividends

As a rule, holders of *long* positions in CFD have the right, when dividends are paid on the underlying shares, to receive a proportional dividend payout, after deduction of applicable taxes, fees and commissions.

In contrast, holders of short CFD positions will have to pay an amount equal to the dividend paid on the underlying shares, in addition to fees, taxes and commissions.

The dividend debits and credits are made by the Bank and not by the dividend paying company. As a result, they are only cash adjustments reflecting the corporate actions affecting the underlying shares. The payout will, therefore, not take into account any specific dividend taxation regimes such as dividend imputation credits under double taxation agreements (according to which the shareholder is able to reduce the tax paid on the dividend if the company issuing the dividend has already paid a portion of the tax due). The CFD dividend cash payment, such as the payment of dividends on the underlying shares, may therefore differ from the dividend payable on the physical share.

The amounts will be credited or debited to your account on the date on which the coupon is detached (“ex-date”), unless the dividend rate is unconfirmed (for example, if the dividend is declared in one currency and must be converted into another currency prior to the payment date) in which case the dividend is paid, as a rule, on the value pay date.

2.6 Financing costs

When trading CFDs you will be charged an interest rate that reflects the financing rate that would be applied if you were actually borrowing the funds to invest. This means that if you purchase a CFD, you will be required to pay financing costs at the market interest rate (such as LIBOR) plus a premium calculated on an annualized basis for the period during which you hold the position. However, you will not pay any financing costs if you open and close a CFD position on the same day. This means that if you hold a long position for a certain time, the financing costs could become substantial.

As a seller of CFDs, you will generally not receive any interest (exception: CFDs on commodities).

2.7 Fluctuations in the Underlying instruments

CFDs are financial products that allow to speculate on the price movements of an underlying instrument. Although the quotes are provided by the issuer and for some asset classes a spread can be applied, the prices are derived from the relevant underlying instrument. Therefore, you must understand the risks associated with trading in the relevant underlying instrument because its fluctuations will affect the price and the profitability of your trade. It is in particular worth considering the following risks:

- **Currency**: the fluctuations of a currency exchange will affect your profits and losses if you trade in a different currency from the one of your account;

- **Volatility**: the price movements can become volatile and unpredictable and some underlying instruments can be highly volatile. This can have a direct impact on your P/L and cause greater losses. Therefore, it is important to know and follow the volatility of the underlying assets;

- **Gapping**: 'gapping', a sudden and sharp movement of the price of an underlying from one level to another, with no prices in between. Most typically, this happens when a market closes and reopens the next day. However, various factors can lead to gapping (for example, economic events or market announcements). When the gapping occurs, for example, when the underlying market reopens the next day, the new price (and therefore the derived price) can be extremely different from the closing price, with no opportunity to close the trade with at a price in-between the two levels. 'Gapping' can result in a significant loss as stop losses are not a guarantee against the gapping risk (they will be executed at the next available price);

- **Liquidity**: the prices, spreads, margins and other conditions of the CFDs take into account the liquidity of the relevant underlying instruments. If the liquidity is low, this can result in wider spread and higher margin requirements. Please note that market conditions, liquidity and volatility can change significantly in a very short period of time and therefore the margin requirements of the CFDs might as well be adjusted permanently or/and on a periodical basis in order to match constantly the market situation and to improve protection against the increased risk.

- **Slippage**: refers to the difference between the price at which a trade is expected to be executed and the price of the actual execution. Slippage can occur at any time but is most prevalent:
    - During periods of higher volatility. In these cases, your execution might not be performed at the intended level due to a sudden move of the price.
    - When a large order is executed but the chosen price cannot be maintained as there is no enough volume available.

  Slippage does not denote a negative or positive movement of the instrument. Any difference between the expected execution price and actual price is considered as a slippage. The result can qualify as positive slippage, no slippage or negative slippage, respectively if the final result to the investor has been favorable or not.

2.8 Counterparty Risk

The counterparty risk is the risk that one of the parties in a financial transaction is not be able to meet its obligations. When investing in CFDs your counterparty risk is the risk of default of the Bank.

3. RISKS RELATED TO MARGIN TRADING

All the above financial instruments are margin products. This means that you must supply a specified margin at the time the contract is agreed. The margin is usually a percentage of the total value of your contract and may be modified at any time (for example due to changes in market volatility). As the amount of the margin is small relative to the value of the contract, transactions are leveraged, which means that a relatively small market movement will have a proportionately larger impact on the margin you have deposited. In particular, if the market moves against your position or margin levels are increased, you may be required to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit.

You must therefore be aware that your potential loss can be far greater than the value of the margin you have deposited with the Bank (and any additional margins), and that you may be obliged to close your positions at the worst possible time.

Date ____________________ Signature ____________________