

# Warrants and Other Complex Instruments, Risk Warning Notice plus Appropriateness Assessment



Full name

Account number(s):

Warrants and other complex instruments are derivative products for which special risks apply. Investors are required to provide information regarding their knowledge and experience in these products so as to enable an assessment whether the product is appropriate for them to trade.

## The process

1. Read, and understand the risk warning notice
2. Confirm that warrants or other complex instruments are appropriate for your investment needs, abilities and expertise by completing the assessment at the end of this document.
3. Sign the declaration and return the assessment to us at the address below.

## WARRANTS AND OTHER COMPLEX INSTRUMENTS RISK WARNING NOTICE

This notice is provided to you, as a retail customer, in compliance with the rules of the Financial Conduct Authority (FCA). Retail customers are afforded greater protections under these rules than other customers are and you should ensure that your firm tells you what this will mean to you. This notice cannot disclose all the risks and other significant aspects of warrants and other complex instruments. You should not deal in these products unless you understand their nature and the extent of your exposure to risk. You should also be satisfied that the product is suitable for you in the light of your circumstances and financial position. Although warrants and other complex instruments can be utilised for the management of investment risk, some of these products are unsuitable for many investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should be aware of the following points:

### 1. 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.

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 predetermined time scale 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. Additional risks associated with covered warrants, which are a form of securitised derivative, are contained in section 2.

### 2. Securitised derivatives

These instruments may give you a time-limited or absolute 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 to 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 please seek professional advice.

# Warrants and Other Complex Instruments, Risk Warning Notice plus Appropriateness Assessment



## 3. Foreign markets

Foreign markets will involve different risks from the UK markets. In some cases the risks will be greater. On request, your firm must 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 or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

## 4. Commissions

Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.

## 5. 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 exchange trading is suspended or restricted. 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.

## 6. Clearing house protections

On many exchanges, the performance of a transaction by your firm (or third party with whom he is dealing on your behalf) is 'guaranteed' by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover you, the customer, and may not protect you if your firm or another party defaults on its obligations to you.

On request, your firm must explain any protection provided to you under the clearing guarantee applicable to any on-exchange derivatives in which you are dealing. There is no clearing house for traditional options, nor normally for off-exchange instruments which are not traded under the rules of a recognised or designated investment exchange.

## 7. Insolvency

Your firm's insolvency or default, or that of any other brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash. On request, your firm must provide an explanation of the extent to which it will accept liability for any insolvency of, or default by, other firms involved with your transactions.

## Appropriateness

Warrants and other complex instruments are derivative products for which special risks apply. Investors are required to provide information regarding their knowledge and experience in these products so as to enable an assessment whether the product is appropriate for them to be made.

This service is an execution only service. Investors must rely on their own judgment and assessment of the instrument.

This must include investment merits and risks and where relevant, investors must also be able to accept the risk of the investment for the specified duration.

In order that we can be certain that those investing in covered warrants and other securitised derivatives have the required knowledge and expertise and that warrants and other complex instruments are appropriate for you, you are asked to answer the following questions.

# Warrants and Other Complex Instruments, Risk Warning Notice plus Appropriateness Assessment



## 1. Investment objectives and attitude to risk

Please tick to confirm

Warrants and other complex instruments are suitable investment products to help meet my investment objectives and attitude to risk. I understand the nature and mechanics of the product, its pricing valuation, sources of risk, and that underlyings may vary between individual shares, indices, baskets, interest rates, commodities and other types. I understand that I may lose the entirety of my original investment. I am aware that the instrument will invariably be cash rather than physically settled meaning that I will not take delivery of the underlying asset. My investment needs and priorities include leverage and/or hedging and/or cash extraction and/or diversification using derivatives.

Or

The statement above is not applicable to me.

## 2a) Investing experience and expertise

Please tick to confirm

I am an investor experienced and sufficiently expert in dealing in equities and / or other similar investment instruments, and understand the complexities of warrants and other complex instruments and I am able to assess the risks involved in dealing in them, including the potential price volatility and the possibility that I may lose my capital.

And

I have attended relevant course(s) and/or seminar(s) on warrants and/or derivative products that have given me the necessary knowledge and expertise to understand the complexities of warrants and other complex instruments and am able to assess the risks involved in dealing in them including the potential price volatility and the possibility that I may lose my capital.

And / Or

I have previous experience and sufficient expertise of derivative products such as traded futures and options, contracts for difference or spread betting and understand the complexities of warrants and other complex instruments and am able to assess the risks involved in dealing in them including the potential price volatility and the possibility that I may lose my capital.

Or

I do not meet any of the criteria set out above

**2b) Typically, I deal, on an execution only basis, in securities (e.g. shares, exchange traded funds, unit trusts, corporate bonds, gilts) or derivatives the following number of times per annum (this trading activity need not have been exclusively with one broker):**

Please select relevant box

51+

26 – 50

16 – 25

6 – 15

5 or fewer

**2c) I have been trading for the following number of years (this trading activity need not have been exclusively with one broker):**

Please select relevant box

10+ years

5 – 10 years

3 – 5 years

1 – 3 years

Less than 1 year

Your responses to the statements above will deem whether trading in warrants and other complex instruments is appropriate for you.

# Warrants and Other Complex Instruments, Risk Warning Notice plus Appropriateness Assessment



## Declaration

---

I acknowledge that this appropriateness test is in place for my protection and confirm that the answers I have provided are truthful. I understand the risks involved in dealing in warrants and other complex instruments, and declare that I have sufficient knowledge about the product and am able to assess the merits and declare that the product is appropriate in relation to my investment needs and abilities. I also confirm that warrants and other complex instruments are suitable given my investment objectives and attitude to risk and that I meet at least one of the experience and expertise conditions above, as indicated by a tick in the relevant boxes.

Signed

Date

Day

Month

Year

**Please remember to print and sign your form with a wet signature before submission.**

Please return this form to: **EQi, PO BOX 4923, Worthing, BN99 6SF**