European Markets Ltd

Risk Warning

Before trading Contracts for Difference, ensure you fully understand the risks involved. These products may not be suitable for all types of investor. Trading in Contracts for Difference carries a high degree of risk and is generally considered suitable only for the more experienced investor. Leveraged products carry a high degree of risk for your capital, and in some circumstances you may be liable for a greater sum than your initial capital invested. Past performance is not necessarily a guide to future performance. Seek independent financial advice if necessary. These products are suitable only for people over the age of 18. Information and analysis produced by European Markets does not constitute a recommendation or offer to make a transaction in any derivatives or securities, and is intended to be general in nature. European Markets is fully authorised and regulated by the Financial Services Authority.

The past performance of any investment is not necessarily a guide to future performance. The value of shares or income from them may go down as well as up. The value of shares may rise as well as fall due to the volatility of world markets, economic conditions/data and/or changes in the rate of exchange in the currency in which the investments are denominated. You may not necessarily get back the amount you invested. If you are in any doubt about investment, you should seek independent financial advice.

Risk Disclosure Notice

This notice is provided to you in compliance with the rules of the Financial Services Authority (FSA).

If you are a private customer you are afforded greater protections than other customers, and you should ensure that your dealer tells you what these are. This notice does not disclose all of the risks and other significant aspects of derivative products such as futures, options and contracts for differences. You should not deal in derivatives unless you understand the nature of the contract you are entering into and the extent of your exposure to risk. You should also be satisfied that the contract is suitable for you in the light of your circumstances and financial position. Certain strategies, such as a "spread" position or a "straddle", may be as risky as a simple "long" or "short" position.

Whilst derivative instruments can be utilised for the management of investment risk, some investments 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.

Futures

(1) 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 your position with cash. They carry a high degree of risk. 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 market movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you. Futures transactions may have to be margined, and you should be aware of the implications of this, which are set out in paragraph (6) below.

Options

(2) There are many different types of options with different characteristics subject to different 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 a futures contract and you later exercise the option, you will acquire the future. This will expose you to the risks described under "futures" and "margined transactions".

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 any 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 (known as "covered call options") the risk is reduced. If you do not own the underlying asset (known as "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.

Contracts for differences

(3) 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 or share, 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 risk as investing in a future or an option and you should be aware of these as set out in paragraphs (1) and (2) respectively. Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this as set out in paragraph (6) below.

Off-exchange transactions

(4) It may not always be apparent whether or not a particular derivative is effected on exchange or is 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 not be possible 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 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.

The potential for profit or loss from transactions in foreign currency denominated contracts will be affected by fluctuations in foreign exchange rates.

Foreign markets

(5) Foreign markets will involve different risks from UK markets. In some cases the risks will be greater. 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.

Contingent liability transactions

(6) 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 in futures, contracts for differences or sell options you may sustain a total loss of the margin you deposit with your dealer to establish or 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 liable for any 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. Contingent liability transactions which are not traded on or under the rules of a recognised or designated investment exchange may expose you to substantially greater risks.

Collateral

(7) If you deposit collateral as security with your dealer, you should ascertain from your dealer how your collateral will be dealt with. Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets which you deposited and may have to accept payment in cash.

Commissions

(8) 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 dealing spread), you should obtain a clear 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.

Suspensions of trading

(9) 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 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.

Clearing house protections

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

Insolvency

(11) Your dealer's insolvency or default 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 payment in cash.

European Markets accepts no responsibility for insolvency of, or default by, other brokers involved with your transactions.

Stop loss orders

(12) Stop loss orders may be subject to slippage. This means that if the stop loss order cannot be executed at your chosen price in the market, or cannot be executed in the desired volume at the chosen price, the order will be filled at the best available price. Unless you hold a limited risk account, stop losses are not guaranteed.

Advisory Service Agreement

(13) The nature of this agreement and your relationship with European Markets is on an advisory basis which means that, although you may seek advice from European Markets and/or European Markets may offer advice to you in connection with an investment transaction, you have the final decision in relation to the execution of every investment transaction. Consequently, you should make every effort to ensure that you are fully satisfied that you understand the advice given to you in relation to every investment transaction as, unless you indicate otherwise, European Markets will be entitled to assume that you do. I/we accept that when European Markets provides advisory services it will be under the following conditions:

(a) Occasionally European Markets may, at our discretion, provide advisory services, recommendations and information on our own initiative and at our discretion. However, European Markets shall not be obligated to continue to provide advice related to managing your investments.

(b) Published recommendations and research reports may occasionally be provided to you by European Markets, as well as advertisements and other publications. When any document provided to you carries restrictions with regard to the individuals or category of individuals for whom such a document is intended or to whom it may be disseminated, you hereby concur that you shall not distribute such a document to any such individual or category of individuals. European Markets may have acted upon the document or information contained within it before distribution of the material. No representations are made by European Markets as to the time you receive information, recommendations or research reports and European Markets makes no guarantees that such information, recommendations or research reports will be received by you at the same time as our other clients. Screen information service(s) may utilise and/or contain information, recommendations and research reports published by European Markets.

(c) When European Markets provides information regarding the markets, recommendations or advisory services, we give no warranty, guarantee or representation as to the completeness or accuracy of the information, recommendations or advisory services or to the tax consequences of transactions or investments. Unless European Markets specifically consents otherwise through written communication from you, you agree and acknowledge that (i) the advice offered by European Markets is purely incidental to your trading association with European Markets and offered exclusively to allow you to construct your own decisions regarding your trading and investments; (ii) the investments of European Markets' directors, associates, management and employees or agents may vary from the advice, information and recommendations provided to you by European Markets and (iii) due to individual differences in the analysis of technical and/or fundamental factors by different personnel, the advice, information or recommendations provided to other clients may vary from advice, information or recommendations provided to you by European Markets.

(d) European Markets will not, at any time, be required or be seen to be required to offer tax advice to clients. European Markets will not provide advice with regard to tax issues.

Please note that past performance is not necessarily a guide to future performance.