

## DISCLOSURES

### TradeStation International Introductory Services

This is a disclosure for residents of the United Kingdom applying to TradeStation Securities Inc. (“TSS”) for the provision of brokerage and trading services, to which UK residents have been directly or indirectly introduced by TradeStation International Limited (“TSIL”).

TSIL is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom. TSIL does not offer any brokerage or trading services, and its activities include introducing the services of TSS. The provision of brokerage and trading services to you by TSS (the “Services”) subsequent to the introduction shall be on such terms as you may agree with TSS. TSIL will not be a party to any agreement between you and TSS for the provision of the Services and shall have no ongoing role in respect of the Services.

### Who is This Service For

An account with TSS offers customers the opportunity to trade in a range of investment products with **different levels of risk and complexity**. This means an account with TSS will suit a range of customers from those with basic financial knowledge and trading experience through to experienced investors.

But not all investment products offered through the TSS account will be suitable for all customers. You should be aware that TSS may restrict access to certain products based on your financial experience and risk tolerance, but it may not, as any trading conducted by you will be done on a self-directed basis, without any ongoing input or monitoring by TSS.

**The information below is a general guide only. If you are unsure if an account is right for you, you may want to seek financial advice from an Independent Financial Adviser (“IFA”).**

An account with TSS allows you to trade major US listed markets across a variety of asset classes, including, stocks, options and futures (including some limited non-US listed futures). Customers with limited investment knowledge or experience should consider investing in comparatively lower-risk products such as shares and bonds. Less experienced investors should not trade complex, high-risk products such as Futures, Options, Exchange Traded Funds, or trade on margin, until they have gained more experience.

**More complex and high-risk investment products like those listed above will only be suitable for experienced investors.**

Experienced investors are likely to have been trading for a number of years and have a deep understanding of, and expertise in these investment products, and are able to independently assess the risks and adopt suitable risk management techniques in their trading strategies. Experienced investors will generally be more comfortable with higher levels of investment risk and may be willing to accept the possibility of capital loss in exchange for seeking potentially higher returns, including the possibility of losing more than their initial capital investment.

### TSIL’s Introduction is Not Suitable if:

- You prefer not to take investment risks, cannot afford to lose your capital or in some cases, more than your initial investment.
- You are not confident in making your own investment decisions.
- You wish to trade in high-risk products like CFDs or cryptoassets, which are not available via accounts introduced by us.
- You wish to trade markets outside the major US listed markets detailed above.

### What Should You Think About Before Investing

Experienced investors will have a deep understanding of financial markets, be familiar with different trading strategies, including complex ones, and have a clear understanding of their risk tolerance and risk management techniques.

Less experienced investors should make sure that they understand the benefits and risks of self-directed trading before applying for an account. Investing works best when you understand both the **risks and opportunities – i.e. invest smartly**.

In a world of constant pressure to act fast, smart investing means slowing down and making informed choices. So, take your time to assess if **self-directed trading** is suitable for your circumstances and consider:

1. **Readiness to invest:** If you will, or might, need the money that you plan to invest soon, or at short notice, this may mean you are not ready to invest. Before investing, you should always make sure that you have an emergency fund in place to cover any unexpected expenses. The UK Financial Conduct Authority suggests 3 months' worth of living expenses.
2. **Establish Your Objectives:** Decide what your investment goals and objectives are.
3. **Know Your Investment:** Ensure you understand what you are investing in and how easily you can exit the investment if needed. Consider if you want to spread or diversify your investments across different investment products to reduce risk.

Be prepared to take the time to:

- learn about the investment products you would like to trade in and the risks
- monitor market trends, and
- regularly review the performance of your investments.

All investments carry a degree of risk and there is no guarantee that you will get back all of your capital investment.

4. **Risk Tolerance and Capacity for Loss:** Decide if you can afford to lose the money you plan to invest and if you are comfortable with the level of investment risk linked to the asset and trading strategies you choose. If necessary, seek expert advice from an IFA tailored to your financial needs, liquidity requirements and risk capacity.
5. **Balanced Evaluation of Risk/Return:** Recognize that higher potential returns come with higher risks, without any guarantee of success. Trading on margin or using leveraged products such as options and futures can result in losses exceeding your initial capital. For example, writing uncovered options can result in unlimited losses. In all cases, before trading on margin, you should carefully review the [Margin Disclosure Statement](#) published by TSS.
6. **Understand the Fees & Charges:** It is important that you understand the total fees and charges that could apply to your account when investing. Understanding the fees and charges will help you understand the impact they will have on the value of your investments and any steps you can take to avoid or reduce any charges where possible. The fees applicable to a TradeStation Securities account for non-US residents can be found here at [www.tradestation.com/pricing](http://www.tradestation.com/pricing). TradeStation Securities shares a proportion of its fee revenue with TSIL. This does not affect the cost to you of trading on your TSS account.
7. **Avoid Hasty Choices:** Resist the pressure from trading applications, advertisements, and influencers to make quick, unconsidered trading decisions and investments. Conduct your own research to ensure your decisions are well-informed.
8. **Regulation and Protection:** Make sure you understand which regulatory protections might apply in connection with your account and your investments as not all products are covered by the UK Financial Services Compensation Scheme. Always check the regulator's register (FCA Firm's Checker) to ensure you are dealing with an authorised and regulated firm. TSS is regulated by the U.S. SEC and FINRA, but not by the UK FCA.

## TERMS OF BUSINESS FOR UK RESIDENTS

**THESE TERMS OF BUSINESS HAVE BEEN DRAFTED IN ACCORDANCE WITH THE RULES OF THE FINANCIAL CONDUCT AUTHORITY AND RELATE ONLY TO THE BUSINESS OF TRADESTATION INTERNATIONAL LTD WITH CLIENTS RESIDING IN THE UNITED KINGDOM.**

### 1. Scope and application

- a. This agreement (the "Terms") sets out the terms and conditions under which TradeStation International Ltd ("TradeStation International" or "TSIL") will introduce persons to TradeStation Securities, Inc. ("TradeStation Securities") with a view to the provision by TradeStation Securities of brokerage and trading services to you. TradeStation International is a wholly owned subsidiary of TradeStation Group, Inc., a Florida (USA) corporation. TradeStation Group's principal operating subsidiary is TradeStation Securities. Please note that TradeStation International does not offer any brokerage or trading services, and its

activities are limited to introducing the services of TradeStation Securities.

- b. The provision of brokerage and trading services to you by TradeStation Securities subsequent to an introduction made in accordance with these Terms shall be on such terms as you may agree with TradeStation Securities. We will not be a party to any agreement between you and TradeStation Securities for the provision of such services and shall have no ongoing role in respect of such services to you.
- c. Unless the context suggests otherwise, references to “we”, “us” and “our” in these Terms are references to TradeStation International, and references to “you” and “your” are references to you as the party to be introduced to TradeStation Securities by TradeStation International in accordance with the Terms.

## **2. Background**

TSIL is a trading name of TradeStation International Ltd, a company incorporated in England and Wales with company number 5166374. The registered office is located at Unit P03 The Old Power Station, 121 Mortlake High Street, London, SW14 8SN, United Kingdom. TSIL is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom to carry on designated investment business (as defined by the rules of the FCA). TSIL is listed on the FCA Register and the registration number is 445531. Further information can be obtained from the FCA Register by visiting the FCA’s website at [www.fca.org.uk](http://www.fca.org.uk) or by contacting the FCA at 12 Endeavour Square, London E10 1JN, United Kingdom or on telephone number 0300 500 0597.

TSIL is not a registered broker-dealer in the United States and is not required to register in the United States as a broker dealer. TSIL is not an agent of TradeStation Securities and it is not authorized to provide brokerage services for TradeStation Securities’ accounts or to TradeStation Securities clients.

TradeStation Securities pays TSIL a share of its net commission revenue from accounts introduced by TSIL or its third-party finder relationships. TSIL pays its third-party finders a portion of the net commission revenue that it receives from TradeStation Securities or a fixed amount based on leads that its third-party finder relationships introduce. These fees are not passed along to you and do not affect the calculation of any fees you pay to TradeStation Securities. These Terms may be supplemented by additional terms in respect of particular services, transactions or types of transaction that we carry out with or for you.

## **3. Commencement**

These Terms shall come into effect immediately upon your completing and submitting an application to open a brokerage account via the TradeStation.com website.

## **4. Client categorisation**

- a. In accordance with the rules of the FCA, we will categorise you as either a retail client or a professional client in respect of our Service (as defined by Clause 5 below). You will benefit from the regulatory protections afforded to that category of client under the rules of the FCA.
- b. Unless we notify you otherwise separately, we will categorise you as a retail client in respect of our Service. You have the right to request a different client categorisation. If we receive such a request, we will inform you of whether or not we accept it and, if we do accept it, of the consequences of the re-categorisation. However, until we receive such a request and inform you of our acceptance of it, we shall deal with you on the basis of our original categorisation.
- c. If we have categorised you as a professional client, you should be aware that you will not be entitled to certain protections afforded to retail clients by the rules of the FCA, including those rules:
  - i. setting out requirements as to the form, content and timing of information provided by us, including confirmations;
  - ii. requiring us to obtain additional information to assess the appropriateness of certain investment business that we conduct with a client;
  - iii. affecting our determination of the scope of our best execution obligations;
  - iv. affecting our handling and recording of complaints; and
  - v. governing rights of access to the Financial Ombudsman Service.
- d. Please notify us immediately, in writing, if at any point in time, your circumstances change and you consider you no longer fall

within the definition of a professional client.

- e. If you act on behalf of a principal, you agree that whether or not you identify the principal to us, that principal will not, unless we agree otherwise in writing, be our “client” for the purposes of these Terms.
- f. If you are acting jointly with another person, then the liabilities of each of you under these Terms shall be joint and several (which means that you are all jointly liable but we can also enforce any liability against any one of you in full). We may deal with either person who is, or appears to us to be, acting as part of a joint account.

## **5. Services**

- a. Our service (the “Service”) will involve introducing you to our affiliated company, TradeStation Securities, for the purpose of them providing brokerage and dealing services to you under the terms of a separate agreement between you and them.
- b. We do not provide any investment, trading, tax, financial advice or investment management services.

## **6. Client warranties**

You warrant and represent that:

- a. you are not under any legal disability with respect to, and are not subject to any law or regulation which prevents, your performance of these Terms;
- b. you have the authority to enter into these Terms; and
- c. you are in compliance with all laws to which you are subject including, without limitation, all tax laws and regulations, exchange control requirements and registration requirements.

## **7. Conflicts of interest**

We may have an interest or relationship, which conflicts with your interests or our duties to you. We have established and implemented a conflicts of interest policy (which may be revised and updated from time to time) pursuant to rules of the FCA, which sets out how we must seek to identify and manage all material conflicts of interest. You may request further details of the conflicts of interest policy at any time.

## **8. Indemnity and Liability**

- a. You shall fully indemnify us and keep us fully indemnified against all losses, expenses, costs and liabilities (together “Losses”) which arise as a result of or in connection with your breach of these Terms or the proper provision by us of the Service or the exercise of any rights envisaged by these Terms (including, for the avoidance of doubt, any costs incurred in enforcing our rights or defending any action or claim brought by a third party).
- b. Nothing in these Terms shall exclude or limit:
  - i. our liability for death or personal injury resulting from the negligence caused by us or our officers, employees, contractors or agents; or
  - ii. any other liability which cannot be excluded or limited by law, including under the Financial Services and Markets Act 2000.
- c. Subject to Clause 8.b., we shall not be liable for any Losses suffered or incurred by you unless such Losses are suffered or incurred as a result of our gross negligence, willful default or fraud. We shall not be responsible for any consequential loss suffered or incurred by you whether arising from our negligence or otherwise or for any loss suffered or incurred by you as a result of any third party failing to perform its obligations to us.
- d. We may refrain from doing anything which could or might, in our reasonable opinion, be contrary to any laws or regulations which are binding upon us, or which would or might otherwise in our reasonable opinion render us liable to any person. We may do anything which, in our reasonable opinion, is necessary to comply with any such laws and regulations or to avoid any such liability.

## **9. Client money**

We are not permitted to hold client money. We never accept a cheque made out to us (unless it is in settlement of our charges or disbursements for which we have sent you a fee invoice). We do not handle cash.

## **10. Data Protection**

- a. We use your personal data in order to provide the Service to you as further explained in our group privacy notice, which is available at [www.tradestation.com/important-information/privacy-notice/](http://www.tradestation.com/important-information/privacy-notice/). Our group privacy notice sets out the basis on which any personal data we collect from you, or that you provide to us, will be processed by us in relation to the Service. Our group privacy notice also contains important information about your rights in relation to your personal data and how to exercise them. Please read it carefully to understand our practices regarding your personal data and how we will treat it.
- b. Notwithstanding anything to the contrary in the group privacy notice, when you provide personal data directly to us to enable us to provide the Service, we will be the “controller” of that data. If, however, you have a direct relationship with TradeStation Securities and we process your personal data (whether it was made available to us by you or TradeStation Securities) solely in order to support the services provided to you by TradeStation Securities, we will be the “processor” of that data and TradeStation Securities will be the “controller.”

## **11. Complaints and Compensation**

- a. Complaints regarding our provision of the Service should be made via email to [international@tradestation.com](mailto:international@tradestation.com) or in writing addressed to the Compliance Officer at TradeStation International Ltd, c/o 8050 SW 10th Street, Suite 2000, Plantation, Florida, 33324 USA. If we have categorised you as a retail client, you may be eligible to refer your complaint to the Financial Ombudsman Service. Further information is available from us on request or from the Financial Ombudsman Service itself at South Quay Plaza, 183 Marsh Wall, London E14 9SR ([www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)). Retail clients may also request a copy of TSIL’s complaint handling procedures summary leaflet. Please email [international@tradestation.com](mailto:international@tradestation.com).
- b. You should refer to the terms of any agreement you enter into with TradeStation Securities for details of how to raise a complaint regarding the performance of their duties, actions or inactions in relation to your relationship with them.
- c. We are covered by the Financial Services Compensation Scheme (“FSCS”). You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business you conduct, your status and the circumstances of the claim. If you are eligible, the maximum level of compensation the scheme may pay in relation to investments is £85,000 per person. Further information about the compensation scheme arrangements is available from us or the FSCS.
- d. Only complaints regarding our provision of the Service should be made under this Clause 11. In the event you wish to complain about TradeStation Securities’ performance of its duties or its actions or inactions, which include all matters relating to your investment and trading account services, such as account information, trade execution, market data services, settlement, clearing, buying power, positions, pending orders, margin, margin calls, deposits and withdrawals, such complaint should be made in accordance with the applicable provisions of your separate agreement with TradeStation Securities.

## **12. General**

- a. No delay or omission in exercising any right, power or remedy provided by law or under these Terms, or partial or defective exercise thereof, shall prevent further or other exercise of, or operate as a waiver of, such right, power or remedy. No waiver of any breach of any term of these Terms shall (unless expressly agreed in writing by the waiving party) be construed as a waiver of a future breach of the same term or as authorising a continuation of the particular breach.
- b. Nothing in these Terms shall prevent us from providing the Service for anyone else.
- c. Nothing in these Terms shall confer on any third party any benefit or rights to enforce these Terms for the purposes of the Contracts (Rights of Third Parties) Act 1999 SAVE:
  - i. that our affiliated companies shall have a right to enforce the provisions of these Terms in accordance with provisions of Contracts (Rights of Third Parties) Act 1999; and
  - ii. where otherwise provided in these Terms or where otherwise agreed in writing.
- d. If any of the provisions of these Terms is held invalid, illegal or unenforceable for any reason, such provision shall be severed and the remainder of the provisions hereof shall continue in full force and effect as if these terms of business had been

executed with the invalid provision eliminated.

- e. Any agreement made between you and us in accordance with these Terms and all communications from us will be in English.
- f. The information set out in these Terms is valid unless notified otherwise.
- g. This document is part of a legally binding contract that contains representations, obligations and other agreements that can be enforced against you.

### **13. Notices and communications**

- a. All correspondence, notices, contract notes, certificates and statements of account may be sent or transmitted to you at your last known address shown in our records, unless you expressly authorise us in writing to send them to some other address.
- b. You confirm that you have regular access to the Internet and consent to us providing you with information, including correspondence, notices, contract notes, certificates and statements of account, information about the nature and risks of investments, by electronic mail or (where appropriate and subject to maintaining your confidentiality) by posting such information on our website at [www.tradestation-international.com](http://www.tradestation-international.com), the US affiliate site at [www.tradestation.com](http://www.tradestation.com) or such other website as we may from time to time notify to you.
- c. We shall not be liable for any loss, expense, cost or liability (including consequential loss) suffered or incurred by you as a result of any communications being made, via the Internet. You will be solely responsible for the accuracy of all information sent to us via the Internet using your user name and password.
- d. You acknowledge and confirm that communications between you and us may be in electronic form.
- e. We and/or any affiliate may contact you on an unsolicited basis (including by telephoning you) in such circumstances, as we reasonably believe to be appropriate.

### **14. Governing Law and Jurisdiction**

These Terms shall be governed by and construed in accordance with the laws of England and each party submits to the non-exclusive jurisdiction of the English Courts.

## **INFORMATION ON THE NATURE AND RISKS OF CERTAIN INVESTMENTS**

The information contained in this notice cannot disclose all the risks and other significant aspects of derivative products such as futures, options and contracts for differences. 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. Certain strategies, such as a 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position.

### **1. General**

The value of investments and the income from them may fluctuate and go down as well as up. There is no guarantee that you will get back the amount initially invested.

The value of investments may be affected by a variety of factors, including economic and political developments, interest rates and foreign exchange rates, as well as issuer-specific events.

Investments denominated in currencies other than your base currency carry the risk of exchange-rate movements.

A movement in exchange rates may have a separate effect, unfavourable as well as favourable, on your gains and losses. Hedging techniques may, in certain circumstances, be limited or not be successful.

The market for some investments may be restricted or illiquid. There may be no readily available market and from time to time there may be difficulty in dealing in such investments or obtaining reliable information about the value and extent of risks associated with such investments.

### **2. Equity securities**

Buying equity securities (the most common form of which are shares) will mean that you will become a member of the issuer company



and participate fully in its economic risk. Holding equity securities will generally entitle you to receive any dividend distributed each year (if any) out of the issuer's profits made during the reference period.

Generally, holdings in equity securities will expose you 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 some smaller companies, such as penny shares. There is a big 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.

If you buy equity securities you will be exposed to both the specific risks associated with individual securities held (and the financial soundness of their issuers), as well as the systemic risks of the equity securities markets.

### **3. Derivatives**

Although derivative 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:

#### **a. 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. 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 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 have a contingent liability, and you should be aware of the implications of this, in particular the margining requirements, which are set out in paragraph 6.

#### **b. 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 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 'contingent liability investment 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 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.

Traditional options:

Certain London Stock Exchange member firms under special exchange rules write a particular type of option called a 'traditional option'. These may involve greater risk than other options. Two-way prices are not usually quoted and there is no exchange market on which to close out an open position or to effect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk.

Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option 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.

**c. Contracts for differences**

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, 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 risks as investing in a future or an option and you should be aware of these as set out in paragraphs 3 (a) and (b) above 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.

**d. Off-exchange transactions in derivatives**

It may not always be apparent whether or not a particular derivative is arranged on exchange or in an off-exchange derivative transaction. You must ensure that it is clear to you if you are entering into 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 be impossible 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 prices 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.

**4. Exchange Traded Funds**

Exchange traded funds ("ETFs") are closed-ended collective investment schemes, traded as shares on stock exchanges, and typically replicate a stock market index, market sector, commodity or basket of assets. As such, they generally combine the flexibility and tradability of a share with the diversification of a collective investment scheme. Where you purchase ETFs, you will be exposed to similar risks as detailed in respect of equity securities, as well as the general risks detailed in paragraph 1.

**5. Foreign markets**

Foreign markets will involve different risks from the UK markets. In some cases the risks will be greater. You should request from the firm with whom you trade 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.

**6. Contingent liability investment transactions**

Contingent liability investment 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 the firm with whom you trade 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 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 the contract.

Contingent liability investment transactions which are not traded on or under the rules of a recognised or designated investment exchange may expose you to substantially greater risks.

**7. Limited liability transactions**

Before entering into a limited liability transaction, you should obtain from the firm with whom you are dealing a formal written statement confirming that the extent of your loss liability on each transaction will be limited to an amount agreed by you before you enter into the transaction.

The amount you can lose in limited liability transactions will be less than in other margined transactions, which have no predetermined loss limit. Nevertheless, even though the extent of loss will be subject to the agreed limit, you may sustain the loss in a relatively short time. Your loss may be limited, but the risk of sustaining a total loss to the amount agreed is substantial.



## **8. Collateral**

If you deposit collateral as security with the firm with whom you trade, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral, depending on whether you are trading on a recognised or designated investment exchange, with the rules of that exchange (and the associated clearing house) applying, or trading off-exchange. 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. You should ascertain from the firm with whom you trade how your collateral will be dealt with.

## **9. 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.

## **10. 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.

## **11. Clearing house protections**

On many exchanges, the performance of a transaction by the firm with whom you trade (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 the firm with whom you trade or another party defaults on its obligations to you. You should request of the firm with whom you trade to 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.

## **12. Insolvency**

The insolvency or default of the firm with whom you trade, 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. You should request of the firm with whom you trade an explanation of the extent to which it will accept liability for any insolvency of, or default by, other firms involved with your transactions.