SAXO BANK (SWITZERLAND) LTD

Risk disclosure statement for foreign exchange and contracts for difference (CFDs)

Transactions in foreign exchange and CFDs are highly speculative and carry a high level of financial risk, as these are margin products, which based on its leverage may cause substantial losses. <u>You should only undertake transactions in these products if you understand the exact nature of the transactions you are entering into, if you understand your exposure to risk and if you can bear a risk of loss in excess of your margin deposit (see thereto para. 3 below).</u> You should therefore carefully consider whether trading in such products is appropriate for you in the light of your experience, objectives, financial resources, environment and any other circumstances.

For the risks related to transactions in other financial products (e.g. forward contracts (forward/futures), options etc.) we kindly refer to the Brochure "Special Risks in Securities Trading", which also has been sent to you.

The present statement briefly describes some of the risks associated with trading in foreign exchange and contracts for difference (CFDs). These financial instruments are based on a margin. **Please read carefully paragraph 3 of the present statement regarding margin trading**.

This document is not purported to disclose all of the risks and does not replace your own understanding and experience of the above-mentioned products. **<u>You should seek independent financial advice if necessary.</u>**

Please note that any order you give will be executed only if there is sufficient liquidity in the market. Saxo Bank (Schweiz) AG (hereinafter the Bank) has 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)

Foreign exchange includes speculation on the differences in exchange rates. Exchange rates may be influenced by world economic and political events as well as many other factors (e.g. extreme weather conditions, acts of terror etc.). Changes in exchange rates may cause 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 (e.g. shares, commodities, indices) without acquiring it. The market price of a CFD reflects the price of the underlying almost 1:1. By trading CFDs only a partial amount of the sum, which would be used for the purchase of the underlying, will be deposited as margin (see paragraph 3 below). As the CFD Position is following the market price of the underlying but the margin is only a fraction of the total amount of the underlying, in general a strong leverage is produced.

The gain or loss of a CFD reflects the difference between the market price of the underlying, at the time of the agreement and the time of liquidation of the CFD. For the calculation of the total gain/loss eventual commissions, financing costs (see para. 2.6) and possible corporate actions (e.g. dividend: see para. 2.4/2.5) need to be taken into consideration.

2.1 Risks related to long CFD positions, i.e. for purchasers of CFDs

Being long in CFD means you are buying the CFDs on the market by speculating that the market price of the underlying will raise 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 whilst your CFD position is open. <u>On the contrary, you will generally suffer a loss, if the market price of the underlying falls whilst your CFD position is open. Your loss will be the difference of the market price of the underlying at the time of purchase compared with the one at the time of the sale, multiplied by the amount of CFDs (plus eventual commissions and financing costs). Your loss may therefore even be significantly bigger as your margin deposited with the Bank. In addition you might be obliged to close your position at the worst possible time, in case you do not have enough liquidity for the margin on your account and your account could show a negative account balance In case you do not close the respective position, the Bank has the right, but not the obligation, to close some or all open margin positions without your prior approval or any pre-notification (see the Bank's General Terms & Conditions, paragraph regarding margin calls and close outs).</u>

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2.2 Risks related to short CFD positions, i.e. for sellers of CFDs

Being short in CFD means you are selling the CFDs on the market by speculating that the market price of the underlying will fall 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 falls whilst your CFD position is open. On the contrary, you will generally suffer a loss, if the market price of the underlying rises whilst your CFD position is open. Your loss will be the difference of the market price of the underlying at the time of purchase compared with the one at the time of the sale, multiplied by the amount of CFDs (plus eventual commissions and financing costs). Your loss may therefore even be significantly bigger as your margin deposited with the Bank. In addition you might be obliged to close your position at the worst possible time, in case you do not have enough liquidity for the margin on your account and your account could show a negative account balance. In case you do not close the respective position, the Bank has the right, but not the obligation, to close some or all open margin positions without your prior approval or any pre-notification (see the Bank's General Terms & Conditions, paragraph regarding margin calls and close outs)

2.3 Market conditions

As a result of existing market conditions (e.g. lack of liquidity, disclosed from trading), you may not be able to sell a CFD even if such CFD is usually offered by the Bank, or, when you have already sold a CFD, the Bank may ask you to close your position. This may happen in the event 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.

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.

Please be aware that e.g. emission of shares by the company in respect to which you hold CFDs may automatically impact your CFD positions and therefore your account and your margin requirements. This also means that if your margin is utilized at its maximum as a consequence of the emission of shares (or any other corporate action), your position might be closed without further notice.

The Bank may exercise the corporate actions with or without notice. If it exercises the corporate action without notice, it will give you notice as soon as reasonably practicable that it has done so.

During the period of a corporate action in the company of the respective underlying, the new CFD positions received from a client due to this corporate action might not be tradable until the event itself has been carried out completely and the Bank has effectively received the underlying (e.g. shares). Only the original CFD position, which the client had already opened before the corporate action, can be traded (normally offline, because during the corporate action the instrument will generally become NOCT).

2.5 Payment of dividends in case of shares

Holders of long CFD positions will, when dividends are paid on the underlying shares, qualify for a proportional payout, after deduction of applicable taxes. The applicable taxes are not refundable or clearable with dividend payments of short positions.

Holders of short CFD positions will have to pay an amount equal to the gross dividend paid on the underlying shares.

The dividend debits and credits are made by the Bank and not by the dividend paying company and are only cash adjustments reflecting 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 arrangements (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 payment may therefore differ from the dividend payable had the physical share been held.

The amounts will be credited or debited to or from your account on date X (ex-dividend day), 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 pay date) in which case the dividend is paid value pay date.

2.6 Financing costs

When trading CFDs you will be charged an interest rate which mirrors the financing rate of 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 (i.e. LIBOR) plus premium p.a. 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 might become substantial.

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

3. RISKS RELATED TO MARGIN TRADING

All the above financial instruments are margin products. This means that you must supply a specified margin on agreement of the contract. The margin is usually a percentage of the total value of your contract and may be modified at any time (e.g. changes of the volatility of the market). As the amount of the margin is small relative to the value of the contract, transactions are "leveraged" or "geared", 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 that you may be obliged to close your positions at the worst possible time.