

# Terms and Conditions for Investment Services

These terms and conditions are relevant to our Investment Services. For banking services as well as any products we distribute, separate additional terms and conditions will apply.



## Terms and Conditions for Investment Services

This document contains the legally binding terms and conditions on which EFG Private Bank Limited, Jersey Branch provides Investment Services for you. It is essential that you read and understand the terms and conditions and we will ensure that you have a proper opportunity to do so. If you have any questions, please let us know.

If you are willing to accept the terms and conditions set out in this Agreement, please sign and date the declaration at the end of the Investor Profile Form and return it to us.

Our terms and conditions are set out in the following way:

### **Definitions**

This section provides definitions of words and expressions used throughout this Agreement.

### **Section One - Our Agreement with you**

This section sets out the structure and effective date of the Agreement between us, contains details of our regulators, our contact details and describes cancellation rights available to you.

### **Section Two - Terms and conditions which apply to all our Investment Services**

These are particularly important provisions, please read them carefully and if you are unclear about any aspects, please contact your client relationship officer.

This section contains terms and conditions which apply to all our Investment Services and explains, among other things, how we buy and sell investments on your behalf, where we may delegate our functions, how we handle your personal data and how we deal with conflicts of interest. Please note, separate terms and conditions apply for other services such as banking.

This section sets out information about our fees and charges and contains a series of undertakings you make to us. It provides for sums to be paid by you to us if you fail to comply with these undertakings and describes some exclusions and limitations of our liability. The information on our fees and charges should be read in conjunction with our Scope and Cost of our Services document.

This section also sets out the circumstances when the Agreement may be terminated, varied, or assigned and sets out the key regulatory protections you benefit from.

### **Section Three - Our Discretionary Management Service**

This section contains terms and conditions which apply when we provide you with our Discretionary Management Service.

### **Section Four - Our Advisory Service**

This section contains terms and conditions which apply when we provide you with our Advisory Service.

### **Section Five - Our Execution Only Service**

This section contains terms and conditions which apply when we provide you with our Execution Only Service.

### **Section Six - Our Custody Services**

This section contains terms and conditions which apply when we provide you with our Custody Services and explains how we deal with the assets and cash balances belonging to you that we hold from time to time for the purposes of our Investment Services.

### **Section Seven - Additional terms for particular types of clients**

This section contains specific terms which apply to the following types of clients: trusts; individuals; individuals applying jointly; companies; partnerships; pension schemes; unincorporated associations; US Persons and US Taxpayers; and those clients who appoint an intermediary or other third-party as their agent to deal with us in the provision of our Investment Services.

### **Section Eight - Risk warnings**

This section contains a description of the risks inherent in a range of financial instruments that you may invest in through using our Investment Services.

### **Section Nine - Additional services by our associates**

This section contains important information as well as terms and conditions that apply when you obtain services from us as well as one or more of our Associates.

### **DEFINITIONS**

To aid clarity, when we use the following defined expressions in these terms and conditions, they have the following meanings:

“**Advisory Services**” means our advisory services set out in section 4 below.

“**Agreement**” has the meaning set out in section 1.1.

“**Applicable Regulations**” means all applicable laws, rules, regulations and guidance, including but not limited to, as applicable, the Code of Practice and the Client Assets Order.

“**Associate**” means a company or other entity or person connected to us including any member of the EFG group of companies.

**“Authorised Agent”** means any person who has been duly authorised by you to take certain actions and information relevant to your Portfolio.

**“Business Day”** means any day of the week that banks are open for business in Jersey excluding Saturdays, Sundays, and public holidays.

**“Client Assets Order”** means the Financial Services (Investment Business (Client Assets)) (Jersey) Order 2001.

**“Code of Practice”** means the Investment Business Code of Practice issued from time to time by the JFSC.

**“CRO”** means Client Relationship Officer.

**“Complex Investment”** means an investment that is not specified in the list of non-complex investments. We rely on the UK Financial Conduct Authority’s definition of complex investments under the Conduct of Business Sourcebook 10.4.1 (3).

**“Corporate Events”** means any rights issue, calls, conversion, subscription or redemption rights and take-over or other offers arising from capital reorganisations.

**“Discretionary Management Services”** means our discretionary investment management services set out in section 3 below.

**“Execution Only Service”** means our execution only service set out in section 5 below.

**“FCA”** means the UK Financial Conduct Authority or any successor or replacement regulatory body.

**“HMRC”** means HM Revenue & Customs.

**“Investment Objectives”** means the investment objectives as agreed between us and detailed in your Investor Profile Form, and as may subsequently be amended and agreed between us in writing.

**“Investor Profile Form”** means the form completed by you and us which requests that we provide you with Investment Services and which sets out your Investment Objectives, Investment Restrictions, your financial circumstances, knowledge and experience and other information relating to your attitude to investments and risk.

**“Investment Restrictions”** means the investment restrictions as agreed between us and detailed in your Investor Profile Form, and as may subsequently be amended and agreed between us in writing.

**“Investment Services”** means those Investment Services provided under these terms and conditions, including our Discretionary Management Service, our Advisory Service, our Execution Only Service, and our Custody Services.

**“JFSC”** means the Jersey Financial Services Commission.

**“Order”** means: (i) an order to us from you to execute a transaction; (ii) any other order to us from you to execute a transaction in circumstances giving rise to duties similar to those arising on an order to execute a transaction; and (iii) a decision by us in the exercise of discretion to execute a transaction with or for you.

**“Portfolio”** means the assets (including un-invested cash) entrusted from time to time by you to our management and/or our custody.

**“PRA”** means the Prudential Regulation Authority or any successor or replacement regulatory body.

**“Reference Currency”** means the currency of the Portfolio as set out in the Investor Profile Form.

**“Scope and Cost of our Services”** means the document setting out details of our services, our fees and other charges which may be applied to your Portfolio, a copy of which is available upon request to your client relationship officer.

**“Sub-Custodian”** means a third-party with which we may deposit safe custody assets that we hold on behalf of our respective clients, in accordance with Applicable Regulations.

Any references to **“we”** or **“us”** mean EFG Private Bank Limited, Jersey Branch (**“EFG”**).

References to **“you”** mean the client.

Any reference to a person shall be to all legal persons of whatsoever kind and however constituted and shall include natural persons, partnerships, firms, other unincorporated bodies and companies and corporate bodies.

## 1. OUR AGREEMENT WITH YOU

### 1.1. The Agreement

The agreement between us (the **“Agreement”**) in relation to the provision of our Investment Services comprises:

- a) these terms and conditions;
- b) any supplementary terms and conditions given to you in relation to the provision of our services;
- c) our Scope and Cost of our Services document; and
- d) our Investor Profile Form as completed by you;

all as may be amended from time to time.

The purpose of this Agreement is to set out the terms and conditions upon which we agree to provide you with our Investment Services. If we agree to provide you with services other than Investment Services, including where we

extend credit to you, whether to be used wholly or partly to facilitate entering into transactions by you or on your behalf under this Agreement, these services and products will be subject to separate and additional terms and conditions which will apply alongside these terms and conditions.

We may, from time to time, introduce you to one or more of our Associates and you may be introduced to us by one of our Associates. Where we effect such an introduction, any services we provide you are separate and apart from the services for which you have engaged such Associates. Separate and likely different terms and conditions apply to services we provide you and those which are provided to you by our Associates, who will be operating at arm's length.

**1.2. Effective date**

This Agreement shall replace and supersede any prior investment services terms and conditions between you and us and any prior oral or written representations or other agreements between you and us which relate to our Investment Services. We will make any amendments to our Agreement in accordance with section 3.17.1. We will notify you of any such amendments, but it is your responsibility to ensure that you keep informed of such changes. If you are commencing a new relationship with us, this Agreement shall come into force on the date of receipt and acceptance by us of a duly completed Investor Profile Form signed by you. By continuing to do business with us, you are indicating your continued acceptance of this Agreement.

**1.3. Our regulator**

We are regulated by the JFSC to conduct deposit-taking business and investment business and have notified the JFSC in relation to the conduct money service business.

**1.4. Our contact details**

Our business and correspondence address is 5th Floor, 44 Esplanade, St Helier, Jersey, JE1 3FG.

**1.5. Client classification**

In respect of any Advisory Services provided to you under these terms and conditions, we are treating you as a retail client for the purposes of the Code of Practice.

**1.6. Anti-money laundering**

To comply with anti-money laundering requirements, we are required to obtain information concerning persons who wish to use our Investment Services and the persons that beneficially own or control them, including any third-parties with rights, control, or beneficial ownership over your Portfolio(s). Please note that we are unable to provide such services to you until we have received certain required information and related documents.

To use our Investment Services, you must provide us with evidence of your identity, address, and any other information we may require. You agree to provide any further information or documentation we may require once we have started to provide Investment Services to you to meet our ongoing legal or regulatory obligations.

We will periodically review and update our anti-money laundering assessments and may ask you for further confirmation of the above-mentioned information throughout our relationship.

**1.7. Additional documentation**

Some Complex Investments (for example exposure to certain derivatives, foreign exchange contracts contingent convertible instruments and structured products) are not covered by this Agreement alone and may require you to enter into additional agreements. We will notify you if this is the case.

**2. TERMS AND CONDITIONS WHICH APPLY TO ALL OF OUR INVESTMENT SERVICES**

**2.1. Dealing**

**2.1.1. Securities depositories, etc.**

You authorise us and others appointed by us, when required for the purposes of the provision of our Investment Services, to use Sub-Custodians, securities depositories, clearing and settlement houses and similar securities systems.

**2.1.2. Market exchange rules and practice**

When carrying out transactions on your behalf, we, or others appointed by us, will do so in accordance with the rules and regulations of the relevant market or exchange and you will be bound by anything that those rules and regulations oblige us to do. You authorise us and others appointed by us to take all steps that may be required or permitted by the market

or exchange concerned and otherwise to act in accordance with good market practice.

### **2.1.3. Order Handling and Best Execution Policy**

In effecting transactions with or for you under this Agreement, we are under a regulatory duty to take reasonable care to ascertain the result which is best possible at the time for transactions of the kind and size concerned. We will take into account certain ‘execution factors’, including price, costs, likelihood of execution and settlement, size, nature, or any other consideration relevant to the execution of an Order. This is also known as ‘best execution’. Where we arrange for the execution of your Orders with a third-party, we will do so in accordance with your best interests.

Our Order Handling and Best Execution Policy (the “Policy”) is available upon request to your client relationship officer. By signing the Investor Profile Form, you confirm your consent to the Policy.

You will be given notice of any material changes to the Policy and, if you continue to use our services after the notice period following receipt of the notice of the material change you will be deemed to have consented to the change of policy.

Please note that any specific instructions you may give in relation to the execution of Orders on your behalf (for example, as to how and where a particular Order should be executed) may, in relation to those matters covered by the instructions, prevent us from taking steps described in our Policy which have been designed and implemented to help obtain the best possible result. Giving us specific instructions as to execution may therefore adversely affect the price you receive, and we are not responsible for any loss you may suffer as a result.

### **2.1.4. Dealing off-market**

You consent to us executing orders for your Portfolio outside a regulated market, MTF or OTF when we believe this to be in your best interests.

### **2.1.5. Aggregated transactions**

We will only aggregate your orders with other clients’ orders if we believe it is in the overall best interests of all clients concerned. You should note that, in exceptional cases, the effect of aggregation may work to your disadvantage

in relation to a particular order and in those cases, you may receive a lower price than you otherwise would have done.

### **2.1.6. Group investments**

We may, in the provision of our Investment Services, invest on your behalf in investment products which are operated, managed, or advised by us or a company in our group (or in respect of which we or one of our group companies is otherwise associated). Where investments are made into funds managed by us and/or an Associate of ours, these funds may borrow from us (in order to leverage the fund) for which the fund will pay us interest.

### **2.1.7. Overseas transactions**

When we enter into transactions on your behalf in assets or investments denominated in a currency other than the Reference Currency of your Portfolio, we may carry out any necessary foreign exchange transactions (together with any hedging transactions on a transaction- by-transaction basis) at the same time that your order is entered into.

For our Discretionary Management and Advisory Services, the income or other receipts deriving from the assets or investments in your Portfolio may be converted where necessary into the Reference Currency of your Portfolio.

## **2.2. Tax status**

We will not be liable for the taxation consequences of any transaction or in relation to the operation of your Portfolio, nor will we be liable for taxation levies arising for any reason. You have sole responsibility for the management of your tax affairs and complying with any laws and regulations in this regard. You confirm that you have been and are compliant with all tax declarations and reporting obligations in relation to the assets and monies in your accounts and any gains or income they produce. The value to you of the services we provide may depend on your tax status. We will not provide you with this or any other tax advice and you should seek your own tax advice as to whether such services are appropriate for you.

When we provide Discretionary Management Services or Advisory Services to you, we will not be liable for the taxation consequences of any transaction, nor will we be liable for taxation levies arising for any reason.

### 2.3. The custody of your cash and assets

The cash and assets within your Portfolio will be held in the following way:

by us as custodian in accordance with the Client Assets Order and the provisions of section 6 of this Agreement [and in this case, we may appoint an Associate as our Sub-Custodian];

Cash held by us on your behalf will be held by us as banker and not as trustee. Section 6.10 provides further details about how we hold your money.

### 2.4. Reporting

For the following Investment Services, we shall provide you with the reporting set out below and in accordance with Applicable Regulations. Where applicable, assets in the Portfolio will be valued on a traded basis using the last available and relevant mid-market values as at the trade date:

#### Execution Only Service and Advisory LIGHT Service

Quarterly valuations; the statements will include the positions and value of the Portfolio as at the reporting date, including where relevant a statement of all financial instruments that we hold for you.

Individual trade confirmations, including all costs, fees and charges associated with your transactions and any additional information which may be required. This will be provided as soon as possible and no later than the first business day following execution or, where we receive the trade confirmation from a third-party, no later than the first business day after we have received it.

#### Advisory PRO and PRO+ Services and Discretionary Management Service

Quarterly valuations; the statements will include the value of the Portfolio as at the date of the previous statement and provide details of the contents of the Portfolio as at the date of the current statement, changes in composition between those dates and other relevant information in accordance with Applicable Regulations;

Portfolio performance valuations: the statements will set out a measure of performance against relevant benchmarks;

Fees, including total management fees and total costs associated with execution, are charged quarterly in arrears, and reported with Portfolio

performance valuations. The latest Portfolio performance valuations will not necessarily include all the fees accrued for the last quarter as these may be deducted from your Portfolio after the statement is issued. A more detailed breakdown of fees and charges will be provided on request;

Individual trade confirmations are produced for our Execution Only Service and our Advisory Service trades. For our Discretionary Management Services trades are recorded in a statement which forms part of the quarterly valuation.

Where we provide you with our Discretionary Management Services or our Advisory Services, and the Investment Objectives agreed with you authorises us to enter into any type of leveraged transaction(s) for your portfolio then we will provide you with a valuation report at least once a month.

Any statement or valuation provided by us shall be for your personal information and for no other purpose. No third-party may rely upon any such information.

When this Agreement ends, we will continue reporting to you on a quarterly basis, until all the assets are removed from the Portfolio (upon which time we will provide a final statement to you) or the Portfolio is transferred to a third-party.

However, we shall retain the charge and security interest over any investments within your Portfolio as set out in section 2.15.4 to the extent that any fees, expenses, costs, losses or claims for which you are liable to us remain unpaid. You also agree that investments within your Portfolio may be subject to a security interest, lien, right of set-off, right of retention over or right to sell, in favour of any custodian or agent appointed by us in respect of fees relating to the administration and safekeeping of such investments or of any depository or settlement system, in all cases in relation to the provision of services by such third-parties to one or more of our clients.

### 2.5. Suitability

In providing any of our Discretionary Management Services or Advisory Services to you we are required to obtain the necessary information from you regarding your knowledge and experience in the investment field relevant



to the specific type of investment or service provided to you, your financial situation, your capacity for loss, your appetite for risk and your Investment Objectives in order to assess the suitability of our advice, and of the transactions to be entered into by us on your behalf. We collect this information in your Investor Profile Form.

The reason we assess suitability is to enable us to act in your best interests. We may rely on information you provide for this purpose about your knowledge, experience, financial situation, Investment Objectives and attitude to risk, unless it is manifestly out of date, inaccurate or incomplete.

You should notify us of any change to this information and we will need your written confirmation of any change to your Investor Profile Form. You are responsible for ensuring that the information you provide and have provided to us for this purpose about your knowledge, experience, financial situation, investment objectives and attitude to risk is accurate, complete, and up to date on an ongoing basis whilst this Agreement is in place. Should you not provide this, we may not be able to continue to provide you with advice or manage your portfolio and the lack of such information may adversely affect the service we can provide you.

We will review our suitability assessment at least annually, so you will be required to refresh your suitability information at least once a year.

## **2.6. Your Investment Objectives**

Your Investment Objectives will be used by us for the purposes of:

performing our Discretionary Management Services in making investment decisions on your behalf when managing your Portfolio; and performing our Advisory Services in ensuring that any personal recommendations and advice provided aligns with those objectives.

When providing Advisory Services, we do not accept any responsibility for meeting your Investment Objectives other than ensuring that any recommendations and advice made align with those objectives.

When providing our Discretionary Management Services, events or circumstances outside our reasonable control including, but not limited to, changes in the price or value of

assets of a Portfolio brought about through market movements may prevent or hinder us from achieving your Investment Objectives and consequently we cannot undertake that your Investment Objectives will be achieved. Similarly, any benchmark specified in the Investor Profile Form is used for comparison purposes only and not as an assurance or guarantee of performance of your Portfolio or any part of it.

We cannot accept all Investment Restrictions, but where we do, we shall use reasonable endeavours to observe them. You agree that this may affect performance and may result in a lower overall return than a Portfolio without such constraints.

Subject to Code of Practice requirements on suitability, including any necessary completion of a new Investor Profile Form and supporting documents, you may change your specified investment strategy by giving one week's written notice to us.

## **2.7. Material interests**

You acknowledge that we are part of a group of companies which is involved in a full range of services including banking, financial planning and the provision of investment services.

As such, we or an Associate may have a material interest or a conflict of interest in the services or transactions we carry out with or for you.

We may, without asking you first, effect transactions for you when we have a direct or indirect material interest (or a relationship with another party) which may involve a conflict with our duty to you. Please refer to section 2.8 as to how we identify and prevent or manage conflicts of interest.

The Investment Services which we provide to you are not exclusive. We may manage and give advice in relation to the assets of other clients (and be paid for this) so long as our duties under this Agreement are not thereby impaired. This may involve investments of the same kind as held by you.

Neither we nor any Associate are obliged to disclose to you, to use for your benefit or to take into consideration, any information which comes to our notice while acting in relation to the investments of any other person, if the use or disclosure would (or might) be a breach of duty of confidence owed to any other person.

We may accept minor non-monetary benefits from third-parties in connection with the Investment Services we provide to you to the extent permitted by Applicable Regulations. We may receive third-party research material or services in return for direct payments by us out of our own resources.

We may, in the provision of our Investment Services, invest on your behalf in investment products which are operated, managed, or advised by us or a company in our group (or in respect of which we or one of our group companies is otherwise associated).

You authorise us to deal on your behalf in each of the above and any similar situations.

## **2.8. Conflicts of Interest Policy**

We are required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from adversely affecting the interests of our clients.

To that end, we maintain a Conflicts of Interest Policy, the purpose of which is to identify potential conflicts and set out the procedures to prevent or manage such conflicts, taking into account circumstances where we might make a financial gain or avoid a financial loss at your expense; have an interest in the outcome of a service provided to you distinct from your interests; have a financial or other incentive to favour the interest of another client(s) over your interests; carry on the same business as you; or receive from another person an inducement in relation to a service provided to you, in the form of monies, goods or services, other than the standard commission or fee for that service.

A summary of our Conflicts of Interest Policy as of the date of this Agreement is set out below:

Where a conflict of interest arises, we will always put your interests before our own;

Where we have a material interest in a transaction with you, all reasonable steps will be taken to ensure fair treatment;

We have established procedures to ensure fair treatment between all our clients. For example, when executing an aggregated order which is not filled, securities which are obtained are allocated fairly between clients in accordance with our Order Handling and Best Execution Policy;

We do not enter into dealing arrangements that could compromise our ability to comply with best execution requirements;

We have a policy designed to minimise the risk of conflicts arising in situations where staff receive or provide gifts/inducements from or to clients or third-parties;

We have a personal account dealing procedure to reduce potential conflicts of interest in situations where staff deal on their own account; If the arrangements put in place by us to manage conflicts of interest are not sufficient to ensure with reasonable confidence that the risk of damage to your interests will be prevented, then as a last resort we will disclose the general nature or sources of conflicts to you (or both) and the steps taken to mitigate those risks, with sufficient detail in accordance with Applicable Regulations to enable you to make an informed decision as to whether to proceed;

If we are unable to manage an actual or perceived conflict of interest through disclosure, then we may decline to act for you.

A copy of our full Conflicts of Interest Policy is available upon request.

## **2.9. Data Protection and Confidentiality of Information**

We consider client confidentiality to be very important and take our responsibilities seriously. We are committed to keeping your personal information safe, protecting your privacy, and ensuring that adequate safeguards are in place to maintain high standards of confidentiality at all times. We process personal information in accordance with applicable data protection legislation. Please read our privacy policy to understand how we use and protect the information you provide us (a copy of our privacy policy can be accessed here: <https://www.efginternational.com/data-privacy.html>)

We are not obliged to disclose to you or take into consideration information, the disclosure of which would be a breach of duty or confidence owed to any other person, or which comes to the notice of an employee, officer, or agent of ours, but not to the actual notice of the individual(s) advising you or managing your Portfolio.

We may record all telephone and electronic communications between us. We will retain a copy of such recording for a period of five years from the date of recording, and you may request



a copy of such recordings on request during this time period. All recordings of telephone calls and electronic communications are our property, and you agree that we may use them in evidence if there is a dispute between us or for any other matter.

**2.10. Complaints and investor compensation**

If you have a complaint in respect of our Investment Services, you should in the first instance write to your Client Relationship Officer. We will promptly acknowledge your complaint in writing and do our best to deal with it as quickly as possible. You may also have a right to complain directly to the Channel Islands Financial Ombudsman which is located at PO Box 114, Jersey, JE4 9QG. If you want to exercise this right, please let us know and we will send you further details. You can also get more information and a complaint form from [www.ci-fo.org](http://www.ci-fo.org). Further details of our internal complaints policy are available on request.

**2.11. Means of communication**

We may contact you by post, telephone or email using the details you have given us. If you would prefer us to provide hard copies of communications or documents to you, you may request this in writing.

You accept that the privacy and security of communication through these means cannot be guaranteed as it is subject to inherent security risks such as unauthorised interception or modification. In addition, you accept that delivery of email/fax is not guaranteed. We accept no responsibility for loss suffered as a result of any form of interception or modification by third-parties. You also acknowledge that in communicating with us using the above means, the privacy and security of such communication cannot be guaranteed.

**2.11.1. Communication by us to you**

Any instructions, notices, requests, or other communications to be given to you and/or, as appropriate, a third-party authorised by you, shall be sent to the address and/or email address (or fax number, if applicable as you have agreed with us in writing) as set out in your account application form or any other address(es) you notify to us in writing or, in the case of an email address, which you use to communicate with us. You agree that you are responsible for notifying us if your address or email address (or fax number, if applicable) or

other details change and will notify us in writing of such change as soon as possible.

**2.11.2. Communications by you to us**

Instructions or Orders shall only be given by email (from an authorised email address), telephone, and post. We will only treat instructions or Orders as received by us when:

- i. by email, at the time your CRO confirms the instruction or Order with you;
- ii. by telephone, at the time when you orally give us your instruction;
- iii. by post, at the time your CRO confirms the Instruction or Order with you.

We will only act on instructions or Orders authorised in accordance with the signing powers set out on the Investor Profile Form, as updated from time to time.

If your instructions or Orders appear to be unclear, incomplete, or fraudulent, we may delay acting on such instructions or Orders until we receive the clarification we need and will not consider such instructions or Orders as having been received. We will not be responsible for any loss you may suffer if any apparently unclear, incomplete, or fraudulent instruction or Order (as determined by us in our sole discretion) is not actioned or we are delayed in acting on such instruction or Order whilst waiting for clarification.

**2.11.3. Apparent instructions**

As long as we act in accordance with Applicable Regulations and our internal policies, you agree that it is reasonable for us to rely on unauthorised or fraudulent instructions or Orders which appear or purport to be sent by you or a third-party authorised by you and that we shall not be liable for any loss suffered should we execute such an instruction or Order.

**2.11.4. Communications by post**

Unless we tell you to the contrary, please write to us at our registered office. We will (subject to section 2.11.2) act on your mailed instructions when we receive them.

**2.11.5. Communications by telephone**

When speaking to you by telephone, we will be required to firstly verify your identity in line with our internal procedures. Please be aware that telephone calls may be recorded for monitoring purposes. We will only contact you by telephone where permitted by Applicable Regulations.

#### 2.11.6. Communications by email

We will only act on instructions given by email after we have telephoned you back and obtained satisfactory authentication. We will not be liable for any loss occurring as a result of a delay in confirming any information issued by email.

#### 2.11.7. Communication to us by a third-party authorised by you

If you authorise us to accept the instructions of a third-party, and we agree, we will do so until we receive notice to the contrary from you. The same rules (see sections 2.11.1 to 2.11.6) apply to written, telephoned, faxed or emailed instructions received from an authorised third-party as they do to instructions received from you and you must ensure that your authorised third-party complies with these rules.

#### 2.11.8. Advice

In line with Applicable Regulations, we will, as necessary, explain the rationale for any advice given in terms of the suitability of the investments and/or strategy recommended.

Our advice provided for any Investment Service you receive under these terms and conditions is “restricted advice”. This is advice based on a more restricted analysis of a narrower range of relevant products available on the market than is the case where a firm provides independent advice. We may restrict our advice to a range that is limited to certain issuers or providers. We may also limit our advice to a range of products issued or provided by us, companies in our group or other entities with which we have close legal or economic relationships. We reserve the right to give advice on specific investments only. Where our advice is restricted, we are still required to ensure that we are not biased and that any relevant product or any relevant transaction we advise you on is suitable to meet your Investment Objectives. We do not provide advice on pension transfers and life insurance. Further, we do not provide tax advice.

#### 2.11.9. Our right not to act on your instructions

We reserve the right not to act on instructions received from you if:

- to do so would involve us or you in a breach of legal and/or regulatory requirements;
- we believe on reasonable grounds that to do so would be impracticable or against your interests;

- to do so would run the risk of us suffering financial loss;
- we believe you have not provided us with enough information to assess the appropriateness or suitability of certain type of investments; or
- you are (or we have reason to believe, in our sole discretion, acting reasonably, that you are) a designated target of, acting on behalf of a designated target of, or are otherwise a target or subject of, any sanctions issued by any country or jurisdiction (including, but not limited to,) the USA, all or any part of the European Union, all or any part of the UK, Jersey, Switzerland, Canada, or Hong Kong.

We may at our sole and absolute discretion and without giving any reason or being liable for any loss that may be occasioned thereby, refuse to act upon your instructions.

#### 2.12. Your undertakings

##### 2.12.1. Acceptance and authority

You agree to accept and to be bound by the terms of this Agreement and undertake that you have full power and authority to enter into and to instruct us, on the terms of this Agreement.

##### 2.12.2. Information

You undertake:

- that all the information you have supplied to us is complete and accurate;
- to notify us promptly of any change to the information supplied by you;
- to supply us with all information, documentation or copy documentation that we require in order to allow us to carry out our onboarding procedures; and
- to provide us with any additional information which may be reasonably required by us in order that we can fulfil our legal, regulatory and contractual obligations in connection with or relating to this Agreement.

##### 2.12.3. Your Portfolio

You undertake that:

- (unless otherwise disclosed to us) the investments and cash comprising your Portfolio are within your beneficial ownership and are and will remain, for the term of this Agreement, free from all liens, charges and any other encumbrances;

- while this Agreement continues you will not, except through us, deal, or authorise anyone else to deal in the investments in your Portfolio;
- while this Agreement continues you will not, either directly or indirectly, cause us to incur any liability to any third-party which is not anticipated by the express terms of this Agreement; and
- you shall sign and/or produce, by the time we ask you to, any documents we need to enable us to carry out our duties under this Agreement.

**2.12.4. Your liability when you breach the terms of this Agreement**

You (and your agents) shall be responsible on our written demand for all direct losses, costs, and expenses and/or other liabilities incurred by us, our agents, or Sub-Custodian, as a consequence of any breach by you of any of the terms of this Agreement:

This section 2.12.4 shall not apply to the extent of any losses or liability caused by a breach of this

Agreement by us or the fraud, negligence or wilful default of us, our agents or Sub-Custodian.

**2.13. The extent of our responsibility for our actions and the actions of others**

For the avoidance of doubt, we do not exclude or limit in any way our liability to you where it would be unlawful to do so. This includes liability for death or personal injury caused by our negligence or the negligence of our employees, agents or subcontractors, for fraud or fraudulent misrepresentation, or wilful misconduct.

We will carry out our duties under this agreement with reasonable skill, care, and diligence. As long as we do this, we cannot and do not accept any liability for loss (or the loss of an opportunity to gain) which arises from the provision of our Investment Services for and on your behalf.

Amongst other things (but not limited to) we will not be liable for:

- a) any losses arising from any cause beyond our reasonable control and the effect of which is beyond our reasonable control to avoid provided that we contact you as soon as possible to let you know that the provision of our duties has been delayed

by an event outside of our control and that we take steps to minimise the effect of the delay; or

- b) any losses that we could not reasonably have anticipated when you gave us an instruction; or
- c) any loss of business, loss of goodwill, loss of opportunity or loss of profit;
- d) any losses incurred if you move to a jurisdiction which means that we are not able to provide you with our services and are required to end this Agreement; or
- e) any losses resulting from our compliance with legal and regulatory obligations or sanctions incumbent on Us or our Associates.

We are not liable to you if we fail to take any action which in our opinion would breach any regulatory requirement or market practice.

As stated above, it is your responsibility to ensure that you notify us of any change in your personal circumstances or the personal information recorded in the Investor Profile Form. We accept no liability for any loss suffered by you if this loss has been caused directly or indirectly by your failure to provide us with accurate and up-to-date information or your failure to update information, we already hold in your Investor Profile Form.

If you choose to communicate with us via fax or email, we will not be liable for any loss caused by the compromise of confidential details during the transmission via fax or email.

We will exercise reasonable care in our choice of Sub-Custodians or agents, and we will monitor their continuing suitability in accordance with Applicable Regulations. As long as we do this in good faith and without neglect (and as long as the losses do not arise directly from our fraud, gross negligence or wilful default) we cannot and do not accept responsibility for loss arising from the default of a Sub-Custodian or agent whether the loss arises from the loss of funds, investments, title documents or otherwise. In those circumstances, you may not have a direct claim against the relevant custodian or agent and may not be able to claim under an overseas compensation scheme.

We cannot and do not accept responsibility for losses you suffer as a result of our (or our agents, Sub-Custodians or others appointed by

us) failing to comply with these terms as a result of circumstances outside our or their reasonable control. These circumstances would include, but not be limited to, failure of or defects in any securities system.

Neither your Investment Objectives nor your Investment Restrictions will be deemed to be breached as a result of changes in the value of investments caused by movements in the market.

Any Investment Restrictions you impose on us cannot be applied to underlying investments where we invest on your behalf indirectly through a collective investment scheme or other collective or structured investment providing exposure to underlying investments or positions.

Nothing in this Agreement is intended to have, or has, the effect of excluding liabilities that cannot be excluded or restricted by Applicable Regulations.

Unless we tell you otherwise, we will act as your agent and you will be bound by our actions. Nevertheless, none of the Investment Services we are to provide shall give rise to any fiduciary or equitable duties which would prevent or hinder us or any associate in transactions with or for you or others, including programme trades, acting as both market maker and broker, or acting as agent in dealing with other associates or clients and obtaining a profit from any such activity.

#### **2.14. Delegation**

For the purposes of this Agreement, we shall have authority, at our discretion and without any prior reference to you, to delegate our functions, duties, and authorities under this Agreement to any third-party as we shall deem appropriate (who themselves may in turn sub-delegate to a third-party of their choosing). Such delegation will only be made where we have reasonable grounds to be satisfied that it does not and is not likely to impair compliance with our duty to act in our clients' best interests.

In particular we will delegate discretionary investment management activities to our FCA authorised Associate, EFG Asset Management (UK) Limited. Our liability to you for all matters so delegated shall not be affected by this delegation.

We may provide information about you and the investments you hold with us to any person to whom such activities have been delegated. We will give you written notice of any other delegation of our discretionary investment management powers. Details of any other third-parties to whom we may delegate any functions, duties and authorities under this Agreement are available upon request.

#### **2.15. Charges**

This section of the Agreement should be read carefully together with the Scope and Cost of our Services document it is important that you understand our fees and charges, how they are calculated and when they are payable.

##### **2.15.1. Our fees**

In consideration for the provision of our Investment Services under this Agreement you will pay us such fees as are set out in the Scope and Cost of our Services document.

Where we provide you with Discretionary Management Services or Advisory Services a fee will be payable in pounds sterling or in the applicable Reference Currency converted from the Sterling equivalent (plus VAT where applicable) quarterly in arrears as outlined in the Scope and Costs of our Services document.

We will notify you in writing of any changes to our Scope and Cost of our Services document not less than two months before such change takes effect. If you do not agree with the change to our fees, you may terminate this Agreement in accordance with section 2.15.3 without penalty.

##### **2.15.2. Other fees or charges**

In addition to our fees and charges, provided to you in our document Scope & Cost of our Services – Investments, you agree that you will be responsible for any other fees or charges that may be incurred as result of our provision of services to you. These may include, but are not limited to:

- brokerage fees, commissions and other related fees reasonably and properly incurred, which will become payable when the relevant trade to which such fees and/or commission related settles;
- management fees and other charges, including the costs of executing trades in securities or payable as a result of investing in collective investment schemes (e.g., front

end or exit fees), which will become payable when such fees and/or other charges are incurred; and

- exceptional accounting and reporting expenses (for example, if we, or an Associate, are required to furnish to you or to accountants acting on your behalf information materially beyond the periodic reports and other information described in this Agreement, or to provide duplicates of information already furnished).

If the Portfolio is invested in funds managed by us and/or our Associates, all additional investment management, administration, and other charges within such funds will be charged to the Portfolio and not be reimbursed. Further information on non-exclusivity and disclosures of interests is contained in section 2.7 of this Agreement. The charges for investment in individual funds provided by us and/or our Associates vary, and a copy of the most recent charges for those funds which may currently be included within the mandate selected for your Portfolio will be provided on request.

### **2.15.3. Fees for termination**

In the event of termination of this Agreement or upon notification of death, the management fees due will be calculated using the average of the month end values of your Portfolio until the date of termination. Management fees for any part month will only be paid in respect of the part of the month during which investment management services were provided to you pursuant to this Agreement. Fees for our execution-only and/or custody services will continue to be payable until assets have been sold or transferred out of our custody. The fees will be charged to your Portfolio as soon as practical after the end of the charging period, usually within one month. Please note that in the event of the death of a sole account holder, fees will continue to accrue and will be deducted from the relevant Portfolios when a valid grant of probate or administration and any other documentation we require has been obtained.

### **2.15.4. Collecting our charges**

You authorise us to withdraw any fees or charges owed to us for any of our services directly out of the relevant Portfolio within five (5) Business Days of the date on which those fees or charges

became payable.

We will be entitled to convert one currency into another (or others) to meet any liability in the currency in which it has been incurred or is due.

We may use cash belonging to you held by us, (including a Sub-Custodian), in order to pay any outstanding fees or charges.

You agree that we may appropriate securities or other assets which are held within your Portfolio (including securities held by us as custodian) and sell them and apply the proceeds in or towards meeting any of your obligations towards us, or a third-party.

We shall retain a charge and security interest over any investments within your Portfolio to the extent that any fees, expenses, costs, losses or claims for which you are liable to us remain unpaid. You also agree that investments within your Portfolio may be subject to a security interest, lien, right of set-off, right of retention over or right to sell, in favour of any Sub-Custodian or agent appointed by us in respect of fees relating to the administration and safekeeping of such investments or of any depository or settlement system, in all cases in relation to the provision of services by such third-parties to one or more of our clients.

We will notify you of any disposal of investments of yours pursuant to our rights under a charge or security interest. Such disposal will occur if you fail to make payments to us when due. The charge or security interest will apply in respect of each asset or type of asset or class of asset comprised within your Portfolio from time to time to the extent of your indebtedness to us.

## **2.16. Ending the Agreement**

### **2.16.1. Notice of you ending the Agreement**

You may end this Agreement by giving us written notice at any time, such notice must include instructions as to how we should deal with your Portfolio. Specifically, your notice must provide:

- I. instructions as to whether you wish us to
  - a) liquidate your Portfolio and transfer the proceeds to you or third-party; or b) transfer the Portfolio without liquidating it to you or a third-party;
- II. (if relevant) instructions as to which third-party we should transfer the Portfolio or, as applicable, the proceeds of liquidation of the Portfolio; and

III. when you wish for the above to take place.

We may refuse to transfer the Portfolio or liquidated proceeds to a particular third-party in our sole discretion (including where to do so would be in breach of Applicable Regulations). In which case you may instruct us to take an alternative action, such as transferring the Portfolio or liquidated proceeds to an alternative third-party or liquidating it and transferring the proceeds to you.

Without prejudice to any rights that survive the termination of this Agreement, this Agreement will be deemed to end on the date we transfer the Portfolio or the proceeds of the Portfolio to you or a third-party. We will cease to provide our investment management and advisory services upon notice of termination (and will not execute further orders for you) but will continue to provide our Custody Services until the date of transfer or liquidation. We will operate the account on a 'sell only' basis under our Execution Only Service and the relevant Execution Only schedule of fees will apply.

Please bear in mind that if you give us notice to end this Agreement with immediate effect, and ask us to sell your investments, this could result in losses for which we will not be liable.

#### **2.16.2. Notice of us ending the Agreement**

We may end this Agreement by giving you two (2) months' written notice at any time.

We may also end this Agreement with immediate effect by written notice if:

- you breach any of the terms of the Agreement and you fail to correct such breach within ten (10) calendar days' written notice;
- we reasonably suspect you have acted, or will act, fraudulently or in breach of Applicable Regulations in relation to this Agreement;
- we need to do so for regulatory, legal, tax or operational reasons, including if it becomes illegal for us to provide Investment Services to you (for example, if you move to a jurisdiction in relation to which we cannot provide our services);
- you fail to cooperate with us in relation to any reasonable requests made of you to assist us in meeting our legal and regulatory requirements, including the failure to provide us with required documentation;

- you are (or we have reason to believe, in our sole discretion, acting reasonably, that you are) a designated target of, acting on behalf of a designated target of, or are otherwise a target or subject of sanctions issued by any country or jurisdiction (including, but not limited to,) the USA, all or any part of the European Union, all or any part of the UK, Jersey, Switzerland, Canada, or Hong Kong; or
- you become bankrupt or unable to pay your debts as they fall due or where we reasonably believe you may not be able to meet your obligations under this Agreement;

Where we give you notice that we will be terminating the Agreement in accordance with this Agreement, we shall act on any instruction you have provided as to the liquidation of your Portfolio and the transference of the proceeds of this liquidation, or the Portfolio itself, to a third-party. If we have not received any instruction from you following the above notice as to the third-party to whom the above should be transferred, we reserve the right to liquidate the Portfolio and hold the liquidated proceeds in custody until such time as you provide this detail. We reserve the right to continue to charge our fees for custody in these circumstances.

We may refuse to transfer the Portfolio or liquidated proceeds to a particular third-party in our sole discretion (including where to do so would be in breach of Applicable Regulations). In which case you may instruct us to take an alternative action, such as transferring the Portfolio or liquidated proceeds to an alternative third-party or liquidating it and transferring the proceeds to you. We will continue providing our investment management and advisory services to you up until the date of transfer or liquidation of the proceeds, unless there are regulatory, legal, tax or operational reasons that prevent us from doing so.

#### **2.16.3. Death and dealing with personal representatives and insolvency practitioners**

This Agreement will continue to bind your estate until terminated by your validly appointed personal representative or us giving notice to your personal representative. We will only act on the instructions of your estate where they provide us with such information as we may reasonably require confirming your death and the appointment of the personal representative.



Where we provide you with Discretionary Investment Management Services and Advisory Investment Management Services and you die, we will, until we receive instructions, continue to provide Our Custody Services in respect of your assets. Your Portfolio will be frozen and will cease to be actively managed. The relevant execution only schedule of fees will apply to these services. Once we have received the grant of probate or administration for your estate (or such other documentation as we require), we will act in accordance with your Personal Representative's instructions (and will take instructions on an execution only basis from your personal representatives) as appropriate.

If the Agreement is not terminated within two (2) years of the date of your death, we may, where Applicable Law allows, take such action as we reasonably consider appropriate to close your Account.

If you are a non-natural person and we receive notice of your winding up or similar procedure in any jurisdiction, we will act on the instructions of your proven representatives.

#### **2.16.4. Transactions in progress**

When this Agreement ends, transactions already initiated to which we or our agents are committed will be completed.

#### **2.16.5. Consequences of ending**

When this Agreement ends, we may charge you for:

- periodic charges which have accrued and are due;
- any additional expenses we or our agents necessarily incur on termination of this Agreement;

and

- any losses necessarily realised by us in settling or concluding outstanding obligations, but will not ask you for any additional payment.

Termination of this Agreement is without prejudice to the accrued rights and liabilities of the parties.

### **2.17. General**

#### **2.17.1. Amendments**

We may amend the Agreement for any reason in our absolute discretion by sending you a written notice describing the relevant changes. Such amendments will take effect on the date

notified to you by us, which shall be a date not less than two (2) months after the date of issue of our notice unless circumstances (such as legal or regulatory requirements) dictate a shorter period. We will notify you of any such amendments, but it is your responsibility to ensure that you keep informed of such changes.

For the avoidance of doubt, we may communicate such amendments to you by post or email, in accordance with section 2.11. You specifically consent to us providing you with the latest version of this Agreement by email or other means of electronic communication. If you would prefer us to provide hard copies of documents to you, you may request this in writing.

#### **2.17.2. Assignment/ transfer**

This Agreement is personal to you, and you may not assign or transfer any of your rights or responsibilities under it without our prior written consent. We may assign our rights and transfer our responsibilities under this Agreement to an Associate upon giving you (10) ten calendar days' prior written notice. You consent to us transferring your Portfolio (or control of your Portfolio) and any cash balances that we owe to you to an Associate in the event of a transfer of business to that Associate, in accordance with Applicable Regulations. You agree that we may assign our rights and transfer our responsibilities under this Agreement to a third-party upon giving you sixty (60) calendar days prior written notice. Where we assign our rights and transfer our responsibilities, we will notify you of the identity of the transferor in our notice to you. You consent to us transferring your Portfolio and any cash balances that we owe to you (or control of your Portfolio) to a third-party in the event of a transfer of business to that third-party, in accordance with Applicable Regulations. Where we transfer any of our rights or obligations under this Agreement to any person, we may provide that person with any information relating to you that they may reasonably require. If you do not agree with the assignment or transfer, you may terminate this Agreement without penalty.

You represent and warrant that you will not without our explicit prior consent:

- charge or encumber your Account to any third-party or debtor; and/or

- declare a trust over your Account(s).

For the avoidance of doubt, we are not to be held liable for breaching any agreement and/or arrangement you make with a third-party regarding your Account(s) held by us, unless we are also a party to that agreement and/or arrangement.

### **2.17.3. Severance**

If any court or competent authority finds that any provision of this Agreement (or part of any provision) is invalid, illegal, or unenforceable, that provision or part provision shall, to the extent required, be deemed to be deleted, and the validity and enforceability of the other provisions of this Agreement shall not be affected.

If any invalid, unenforceable or illegal provision of this Agreement would be valid, enforceable, and legal if some part of it were deleted, the provision shall apply with the minimum modification necessary to make it legal, valid, and enforceable.

### **2.17.4. No third-party rights**

A person who is not a party to this Agreement shall have no right to enforce any of its terms.

### **2.17.5. Supply of Goods and Services (Jersey) Law 2009**

To the extent permitted by law, the parties agree that no statutory terms (which shall include warranties, conditions, or other contractual provisions) or rights, duties or liabilities imposed under the Supply of Goods and Services (Jersey) Law 2009 shall apply to any other party to the Agreement in relation to this Agreement.

### **2.17.6. Language**

This Agreement is supplied in English and all communications from us to you for the duration of this Agreement shall be in English.

### **2.17.7. Governing law**

This Agreement (and any non-contractual matters arising out of or in connection with it) is governed by and shall be construed in accordance with the laws of Jersey and shall be subject to the non-exclusive jurisdiction of the Jersey courts.

### **2.17.8. Bail-In**

Notwithstanding and to the exclusion of any other term of this Agreement or any other agreements, arrangements, or understanding between us and you, you acknowledge and

accept that a UK Bail-in Liability arising under this Agreement may be subject to the exercise of UK Bail-in Powers by the relevant UK resolution authority, and you acknowledge, accept, and agree to be bound by:

- (a) the effect of the exercise of UK Bail-in Powers by the relevant UK resolution authority in relation to any UK Bail-in Liability of us to you under this Agreement, that (without limitation) may include and result in any of the following, or some combination thereof:
  - i. the reduction of all, or a portion, of the UK Bail-in Liability or outstanding amounts due thereon;
  - ii. the conversion of all, or a portion, of the UK Bail-in Liability into shares, other securities or other obligations of us or another person, and the issue to or conferral on you of such shares, securities or obligations;
  - iii. the cancellation of the UK Bail-in Liability;
  - iv. the amendment or alteration of any interest, if applicable, thereon, the maturity or the dates on which any payments are due, including by suspending payment for a temporary period;
- (b) the variation of the terms of this Agreement, as deemed necessary by the relevant UK resolution authority, to give effect to the exercise of UK Bail-in Powers by the relevant UK resolution authority.

For the purposes of this clause:

“person” includes a natural person, corporate or unincorporated body (whether or not having separate legal personality).

“UK” means Great Britain and Northern Ireland.

“UK Bail-in Legislation” means Part I of the UK Banking Act 2009 and any other law or regulation applicable in the UK relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (otherwise than through liquidation, administration, or other insolvency proceedings).

“UK Bail-in Liability” means a liability in respect of which the UK Bail-in Powers may be exercised.

“UK Bail-in Powers” means the powers under the UK Bail-In Legislation to cancel, transfer

or dilute shares issued by a person that is a bank or investment firm or affiliate of a bank or investment firm, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability.

### **3. DISCRETIONARY INVESTMENT MANAGEMENT SERVICES**

#### **3.1. Our discretionary investment management service**

The basis of our Discretionary Management Services is that we agree with you an investment strategy which takes into account your risk tolerance, Investment Objectives, and Investment Restrictions, and we use our discretion to buy and sell investments for your Portfolio matching your investment strategy.

We will select one or more benchmarks against which to compare the performance of your Portfolio and will report to you periodically on the results of our Discretionary Management Services.

We will not facilitate execution only orders under our Discretionary Management Service.

#### **3.2. Our discretion**

Subject to the controls described in section 3.4 below you grant to us complete discretion over your Portfolio and (without limiting our discretion) grant us authority, without prior reference to you, to:

- buy, sell, retain, exchange or otherwise deal in investments and other assets;
- retain monies as cash;
- execute transactions on any markets;
- subscribe to issues and offers for sale and accept placings, underwritings and sub-underwritings of any investments (including any issues, offers, placings, underwritings and sub-underwritings where we or a member of our group are acting as underwriter, sub- underwriter, broker or adviser to the issuing company or other entity concerned);

- negotiate and execute counterparty and account opening documentation; and
- otherwise act as we think appropriate regarding the management of your Portfolio.

Subject to any restrictions set out by you we may invest any amount we deem appropriate in a single investment and are not restricted in the proportion of the Portfolio represented by a single security or issuer.

#### **3.3. The investments in respect of which we have the right to exercise discretion**

Subject to the controls described in section 3.4 and your Investment Strategy, and subject to what we when acting as custodian are able to hold, you authorise us to exercise our discretion over the following types of investments (denominated in any currency):

- shares in companies (including unlisted or unquoted shares), debenture stock, interests in partnerships, limited partnerships and limited liability partnerships, monies, currencies and loan stock, bonds, notes, certificates of deposit, commercial paper or other debt instruments including government, public agency, municipal and corporate issues, Eurobonds, fixed interest and other securities, treasury bills and other money market instruments;
- warrants to subscribe for shares;
- depositary receipts or other types of investment relating to investments and warrants;
- unit trusts, open ended investment companies, mutual funds and other collective investment schemes in the UK and elsewhere (whether regulated or unregulated, including unit trusts and open ended investment companies);
- fixed term or other types of deposits;
- individual hedge funds and funds of hedge funds;
- exchange traded funds;
- interests in investment trust savings schemes;
- securities in investment trusts;
- venture capital;
- structured products including structured capital at risk products;

- forex contracts and forward forex contracts; and
- options, futures and contracts for differences and other derivatives whether on or off exchange and whether structured derivatives or other forms of debt and equity derivatives.

### 3.4. Controls on our discretion

We will tailor our discretionary investment management decisions to match your investment strategy and as a consequence, may not buy or deal in for your Portfolio all of the investments described in section 3.3. Tailoring our discretion to match your investment strategy is part of a wider responsibility that we have, not to effect or arrange a discretionary transaction with or for you unless that transaction is suitable for you and your Portfolio having regard to the information you have provided to us and other relevant facts about you of which we are, or reasonably should be, aware. Further details of our suitability assessments are set out in section 2.5.

We shall not (unless otherwise agreed in writing with you) commit you to supplement your Portfolio either by borrowing on your behalf or committing you to a contract the performance of which may require you to supplement your Portfolio except in either case where there is a temporary shortfall of cash in the Portfolio and then subject to such limits as we consider appropriate.

We shall not, (unless otherwise agreed in writing with you) on your behalf, enter into contingent liability transactions under the terms of which you may be liable to make further payments either when the transaction is completed or when the transaction is closed out early.

As set out in more detail in section 2 we will arrange transactions for you in accordance with our Order Handling and Best Execution Policy.

### 3.5. Transfer of cash and/or other assets into your Portfolio

We will provide you with reasonable assistance in arranging the transfer of cash and assets into your Portfolio. We cannot, however, be responsible for any direct or indirect loss to you as a result of a delay in such a transfer which is due to the actions or inactivity of you, your previous investment manager or your previous custodian, or where the assets are not suitable for transfer into the Portfolio.

### 3.6. Voting rights

In relation to our Discretionary Management Services, you authorise us to exercise any rights (including, without limitation, voting rights) attached to investments held in your Portfolio at our discretion.

In relation to Advisory and Execution Only Services, we will not exercise any voting right on your behalf unless we receive specific instructions including, without limitation:

- exercising (or leaving unexercised) all conversion and subscription rights, privileges and options attaching to or in any way arising in connection with any of the investments in your Portfolio;
- proceeding on liquidations, take-overs, other offers or capital reorganisations, affecting any of the investments in your Portfolio; and
- exercising any voting rights.

The ability to exercise voting rights may be subject to restrictions due to holdings being pooled. We shall not be under any obligation to inform you of the opportunity to vote in respect of matters not relating to corporate actions.

### 3.7. Risks of discretionary investment management

Please bear in mind the nature of the powers you grant to us as a discretionary investment manager. Subject to following your investment strategy (and to the controls described in this section 3) we have the right, without consulting you, to purchase, sell and otherwise deal in investments on your behalf.

The risks involved in a grant of discretionary powers is that we as manager (although acting professionally and within our obligations under the agreement and Applicable Regulations) may choose investments that prove loss making or otherwise do not meet your Investment Objectives. Other than where we have acted negligently, fraudulently or in wilful default we will not be liable for any such loss sustained.

## 4. OUR ADVISORY SERVICES

### 4.1. Terms applicable to all Advisory Services

Where you request to receive an Advisory Service, the type of Advisory Service provided by us shall be agreed with you according to your preference and determined in accordance with our Cost and Scope of Services document by the size of the Portfolio to be advised on by us.

Each Advisory Service is provided on the basis that we shall make recommendations as to the buying holding or selling of investments in your Portfolio.

Our recommendations and advice are restricted advice as described above at para 2.11.8.

The decision to proceed with any advice we provide or recommendation we make to you will be yours alone.

#### **4.2. Our Advisory services**

Our Advisory Service consist of three categories of service namely:

- Advisory LIGHT
- Advisory PRO
- Advisory PRO+

We shall provide all such services on the basis of the information you have provided in your Investor Profile Form. As stated in section 2.5 above it is your responsibility to ensure that this information is accurate and up to date. We shall accept no liability for any loss you suffer which is caused directly or indirectly by your failure to update the information therein.

##### **Advisory LIGHT**

Our Advisory LIGHT service shall consist of your CRO providing you with ad-hoc recommendations regarding the merits of buying, holding, or selling particular investments. In providing our Advisory LIGHT service we shall not monitor your Portfolio to ensure it remains invested in accordance with your Investment Objectives and our advice and each recommendation shall not take into account previous recommendations. The decision to proceed with any advice we provide or recommendation we make to you will be yours alone.

##### **Advisory PRO**

Our Advisory PRO service shall consist of your CRO and a dedicated investment counsellor, with access to asset class specialists, regularly reviewing your Portfolio on an on-going basis to ensure your Portfolio remains invested in a manner which is consistent with your Investment Objectives and providing you with recommendations regarding the merits of buying, holding or selling particular instruments when we consider that you should make changes to the contents of your Portfolio. Our recommendations shall take into account recommendations previously given. Our

Advisory PRO service is provided on the basis that it is non-discretionary management of your Portfolio, meaning that the decision to proceed with any advice we provide or recommendation we make to you will be yours alone.

##### **Advisory PRO+**

The Advisory PRO+ service shall consist of your CRO and a dedicated investment counsellor, supplemented by asset class specialists, regularly reviewing your portfolio on an on-going basis to ensure your Portfolio remains invested in a manner which is consistent with your Investment Objectives and providing you with recommendations regarding the merits of buying, holding or selling particular investments when we consider that you should make changes to the contents of your Portfolio. In providing the Advisory PRO+ service our specialists shall provide you with recommendations as to the creation of bespoke asset class allocation within your Portfolio. Our Advisory PRO+ service is provided on the basis that it is non-discretionary management of your Portfolio, meaning that the decision to proceed with any advice we provide or recommendation we make to you will be yours alone.

#### **4.3. Advisory Services - types of investment**

Subject to the authorisations in your Investment Objectives, including any Investment Restrictions, you agree that we may provide you with recommendations in relation to the types of investment (denominated in any currency) listed in the Scope and Costs of our Services document.

Some of the investments available under this Agreement (including derivatives and structured products) are not covered by this Agreement alone and may require you to sign and return additional documentation.

Subject to your investment strategy, including any Investment Restrictions, and subject to what we (when acting as custodian) are able to hold, you authorise us to provide you with recommendations in relation to the following types of investment (denominated in any currency)

- shares in British and foreign companies (including unlisted or unquoted shares), debenture stock, interests in partnerships, limited partnerships and limited liability partnerships, monies, currencies and loan

- stock, bonds, notes, certificates of deposit, commercial paper or other debt instruments including government, public agency, municipal and corporate issues, Eurobonds, fixed interest and other securities, treasury bills and other money market instruments;
- warrants to subscribe for shares;
  - depositary receipts or other types of investment relating to investments and warrants;
  - unit trusts, open ended investment companies, mutual funds, and other collective investment schemes in the UK and elsewhere (whether regulated or unregulated);
  - fixed term or other types of deposits;
  - individual hedge funds and funds of hedge funds;
  - exchange traded funds;
  - interests in investment trust savings schemes;
  - securities in investment trusts;
  - venture capital;
  - structured products including structured capital at risk products;
  - forex contracts and forward forex contracts; and
  - options, futures and contracts for differences and other derivatives whether on or off-exchange and whether structured derivatives or other forms of debt and equity derivatives.

When we provide you with recommendations in relation to fixed term or other types of deposits and spot forex contracts, our recommendations are not regulated investment advice. As part of our Advisory Services to you, however, we have the highest regard for your interests when making such recommendations.

#### **4.4. Advisory Services - Suitability**

In providing our Advisory Services, we are required to provide you with a suitability statement before we commit you to a transaction. You confirm that if we provide you with our advice and you instruct us to enter into a transaction over the telephone or by some other means of distance communication that prevents the prior delivery of a written suitability statement, we may provide you with

our written suitability statement after you have been committed to the transaction. You will, however, also be given the option of delaying the transaction.

For the purposes of our Advisory LIGHT Service, we shall only provide a recommendation where we deem a transaction to be suitable; we shall not review your Portfolio on an on-going basis to ensure that the instruments held within it or the Portfolio itself is or remains suitable.

For the purposes of our Advisory PRO and PRO+ Services, we shall monitor and review the suitability of your Portfolio on an on-going basis. In so doing, we shall advise you on the suitability of the instruments held in your Portfolio on a regular basis. However, as stated in section 5.1 above, the decision as to whether to accept or reject our advice is yours entirely. Accordingly, we cannot accept any responsibility for the suitability of instruments held in your Portfolio should you not have accepted our recommendations in this regard.

We will use reasonable endeavours to give you advice so that you achieve your Investment Objectives, but we will not be responsible if your Investment Objectives are not achieved, whether or not you acted upon our recommendations.

## **5. OUR EXECUTION ONLY SERVICES**

### **5.1. Execution only services**

The basis of our execution only service is that, where we accept an execution only instruction from you, we will carry out the transaction on your behalf following your explicit instructions without providing you with any recommendation or advice. We will not owe you a duty to give, and will not give you, any advice in relation to the merits of the transaction in question when we deal with you on this basis.

As set out in more detail in section 2 we will arrange transactions for you in accordance with our Order Handling and Best Execution Policy.

### **5.2. Investments available through the Execution Only Service**

The types of investments (denominated in any currency) for which we offer an execution only facility will be listed below, subject to us being able to hold these:

- a. shares;
- b. fixed interest securities including bonds;
- c. gilts and certificates of deposit;



- d. units in regulated funds (including unit trusts and open ended investment companies);
- e. exchange traded funds;
- f. shares in investment trusts;
- g. structured capital at risk products (e.g. structured investment products);
- h. transactions to hedge currency exposure within a Portfolio;
- i. warrants to subscribe for shares;
- j. mutual funds and other collective investment schemes (including unit trusts and open ended investment companies) in the UK and elsewhere (whether regulated or unregulated);
- k. forex contracts and forward forex contracts; and
- l. options, futures and contracts for differences and other derivatives whether on or off-exchange and whether structured derivatives or other forms of debt and equity derivatives.

### 5.3. Appropriateness

If you ask us to carry out execution only transactions in Complex Investments we assess the appropriateness of the transaction, by determining whether you have the necessary experience and knowledge in order to understand the risks involved in relation to the product or service in question.

For that purpose, we will be obliged to obtain information regarding your investment knowledge and experience. We collect this information in your Investor Profile Form.

You are responsible for ensuring that the information you provide and have provided to us for this purpose about your knowledge and experience is accurate, complete, and up to date.

If, based on the information you have given us, we believe that an investment is not appropriate, we will warn you. However, should you still wish to invest, you may ask us to do so at your own risk and may ask you to sign a form of a letter to that effect. If you wish to proceed with the transaction after having been given this warning, you shall be solely responsible for that decision, and you should be aware that:

- you may be exposing yourself to risks that fall outside your knowledge and

experience and/or which you may not have the knowledge and experience properly to assess and/or control to try to mitigate their consequences for you; and

- we will have no responsibility for the action so requested, including the outcome.

We will notify you if we consider a particular investment to be a Complex Instrument.

### 5.4. The custody of your cash and assets

Unless we agree to the contrary in writing with you, we will only provide execution only dealing services together with our custody services. The terms on which we provide our custody services are set out in section 6 of this Agreement.

### 5.5. The extent of our obligations

Please bear in mind that although we will carry out an appropriateness assessment at the time, we receive an instruction from you regarding Complex Instruments your circumstances may change, and the investment may cease to be appropriate for you.

When we provide our Execution Only Services, we do not accept responsibility for advising you on the suitability of the transaction.

We may, at our discretion, refuse to enter into a transaction on your behalf for any reason.

## 6. OUR CUSTODY SERVICES

### 6.1. What we mean by “custody services”

When we refer to “custody services” we mean, in broad terms, providing the following services in relation to your Portfolio:

- dealing with the administration involved in the buying and selling of investments on your behalf;
- holding your investments with our sub-custodian or agents or a third-party of a type permitted by the Client Assets Order;
- keeping safe documents of title of your investments;
- collecting on your behalf dividends, income and other entitlements accruing to your investments; and
- providing to you, at regular intervals, information on your investments.

We reserve the right to refuse to accept or cease holding any particular investment into our custody including certificated securities or bearer instruments on your behalf.

## 6.2. Title to your investments

We will identify, record and hold all client assets separately from any of our own investments and other assets, and in such a manner that the identity and location of client assets can be identified at any time.

Except as otherwise agreed between us in writing, in accordance with Applicable Regulations you agree that we will record investments in your Portfolio electronically in the name of EFG Bank AG - Client Account, or in the name of EFG Private Bank Limited Jersey Branch – Client Account. The client accounts are controlled by us, an Associate, a recognised investment exchange or a Sub-Custodian appointed by us in accordance with section 6.3.

## 6.3. Appointment of a Sub-Custodian

We may deposit your investments, or arrange for your investments to be deposited, with a Sub-Custodian. We will act with due diligence, as would a prudent person, and to the best of our ability and skill in the selection, appointment, and periodic review of Sub-Custodians, in accordance with our obligations under the Client Assets Order.

Assets that we deposit with a Sub-Custodian will usually be held in a pooled account that is identified as belonging to our clients and we will identify such accounts in our books and records on that basis. If there is a shortfall on such an account in the event of the Sub-Custodian's insolvency, you may share in that shortfall with other clients, depending on the amount you had deposited with them. Any losses arising from such shortfall may be shared pro rata according to each client's individual entitlement.

As long as we have acted with due diligence, as would a prudent person, and to the best of our ability and skill, in the selection, appointment and periodic review of a Sub-Custodian, we will not be liable to you in the event of default by or the insolvency of the Sub-Custodian unless that Sub-Custodian is our Associate.

We may appoint our Associate in Switzerland, EFG Bank AG, as a Sub-Custodian unless it is not feasible to do so, in which case we may appoint a third-party Sub-Custodian instead. EFG Bank AG may appoint its own third-party Sub-Custodians, creating a chain of sub-custody. You acknowledge that:

- where your investments are held by EFG

Bank AG or third-party Sub-Custodians in a chain of sub-custody, different settlement, legal and regulatory requirements, together with different practices for the separate identification of the investments, may apply to those prevailing in the UK; and

- we will perform due diligence of EFG Bank AG's custody capabilities and shall also review regularly its financial standing, status and service. We take responsibility for any event of default of EFG Bank AG whilst acting as our Sub-Custodian in accordance with this Agreement. However, we are not responsible in the event of default by, or the insolvency of a third-party Sub-Custodian appointed by EFG Bank AG in a chain of sub-custody where EFG Bank AG has exercised all due skill, care and diligence in the selection, appointment and periodic review of such third-party Sub-Custodian.

In the case of transactions carried on outside Jersey, any investments held by us or to our order on your behalf may be passed to an intermediate broker, settlement agent or counterparty located outside Jersey. In these circumstances, the legal and regulatory regime applying to such an entity may be different from that of Jersey. This means that in the event of the insolvency of such an entity, your cash and assets may be treated differently from the manner in which they would be treated if they had been passed to an intermediate broker, settlement agent or counterparty within Jersey. Additional information on risks relating to emerging markets is set out in section 9.

## 6.4. Dividends, interest payments and other entitlements

We will facilitate the collection of all income due on, and the exercise of all other rights and entitlements attaching to, investments in your Portfolio.

Dividends and distributions and any other income will be credited to you as soon as possible once the funds have cleared and been processed by us following any necessary currency conversion to the Reference Currency (which shall be promptly effected) other than dividends received in US Dollars (USD) which will be held in a dedicated USD cash account within the investment Portfolio.

For Discretionary and Advisory Management

Services all income will be credited in the currency which you have nominated in your Investor Profile Form.

In the case of pooled accounts, dividends, entitlements to shares and any other benefits arising from

Corporate Events will be distributed on the following basis:

- entitlements will be allocated to you as far as reasonably possible on the same basis as if the underlying securities were held in separate accounts for you. In the case of Corporate Events, entitlements to new shares may be rounded up or down to the nearest whole;
- we may retain the benefit of the sale of any fractional entitlement to shares arising from Corporate Events in circumstances where the cost of selling these fractions of investments, and apportioning the proceeds between clients, would be greater than their value.

It is our policy not to accept scrip dividends.

We will not notify you of the dividends and interest payments arising in respect of your investments, which will be credited to your Portfolio in either cash or investments depending on the standing instruction that you have given us.

#### **6.5. Voting and Corporate Events**

If your investments are held by a nominee or are otherwise under our control and we are notified of any Corporate Events attaching to your investments, we will take the following steps:

- where it relates to an investment held within a discretionary Portfolio, we will decide what action to take;
- where it relates to an investment held within an Advisory Service or execution-only account we will notify you of any voluntary corporate action (meaning that there is a decision or an election to be made); and
- we will not notify you of any mandatory corporate action (meaning that the outcome is not something over which you have a choice).

Where we have provided notice of a Corporate Event, you are responsible for ensuring that instructions are provided to us by the time stated

in the notice. If we do not receive an instruction within the terms and timing of the notice, we will not vote on your behalf. If a Corporate Event is a rights issue that requires additional funds from you, it is your responsibility to ensure that cleared funds are available in your Portfolio by the time stated in the notice. We are not responsible for the consequences of any failure to provide instructions to us by the stated time once notification has been given, or the consequences of any default option applied on your behalf or any alternative instructions we receive. We are not obliged to do more than give one notification on each relevant matter.

The ability to exercise voting rights can be subject to restrictions due to holdings being pooled. We shall not be under any obligation to inform you of the opportunity to vote in respect of matters not relating to Corporate Events.

We will not be obliged to arrange for you to attend shareholders' meetings or unit holders' meetings and vote in person or to direct how a nominee should vote on your behalf, and we reserve the right to recover any reasonable expenses from you for making such arrangements.

#### **6.6. Settlement**

Where any necessary documents are missing or cleared funds are not held by us in your Portfolio, we will not be obliged to settle any transaction or any account on your behalf until we or our settlement agents or as the case may be, Sub-Custodian, have received all necessary documents or cleared funds. Our obligations to deliver to you, or to your Portfolio, or to account to you for the proceeds of the disposal of investments are conditional upon the prior receipt by us of appropriate documentation and cleared funds.

Where we enter into a transaction as agent on your behalf it is the other party to the transaction and not us who is responsible for settling the trade with you and delivery or payment (as the case may be) will be at your risk. We will have no obligation to cover any loss as a result of a default by a counterparty during the course of a transaction.

Our obligation is only to pass on to you, or to credit to your Portfolio, such deliverable document or sale proceeds (as the case may be) as we actually receive.

### 6.7. Our rights over your assets

Subject to the Client Assets Order, if, at any time, you have failed to pay us sums due under this Agreement, we, or a Sub-Custodian shall be entitled (and are irrevocably authorised by you) to, without providing any advance notice, to use any cash, or sell any investments, held by or registered with us, our Sub-Custodian or agent and use the proceeds (after deducting any costs in doing so) to eliminate or reduce any unpaid obligations owed to us. Any surplus remaining after discharging the obligations owed to us will be paid to you. If the cash and proceeds of disposals do not cover all the obligations owed to us, you will still owe us the balance.

You agree that we may set off, transfer or apply (without further notice to you) any obligations or monies owed by us to you in order to satisfy in whole or in part any debt or obligation or sum that is due from you to us.

In exercising our rights under this Agreement, we may convert currencies and carry out foreign exchange transactions with you or on your behalf at such rates and in a manner that we may in our discretion determine. In such circumstances, we shall be acting on our own behalf and not executing your Orders. We shall therefore not be liable to you for the result obtained, nor for our choice of which investments are to be sold.

### 6.8. Shortfalls

Where we identify a reconciliation discrepancy involving a shortfall in your custody assets we will, in accordance with the Client Assets Order, allocate a sufficient amount of our own money to cover the value of that shortfall. We will hold such money for you in accordance with section 6.10 until the shortfall is resolved.

### 6.9. Allocated but unclaimed safe custody assets

If we have held safe custody assets for you for at least fifteen (15) years and no instructions have been received from you in respect of those assets for at least fifteen (15) years, we may, after giving notice to you at your last known address:

- sell unclaimed safe custody assets we hold for you at reasonable market value; and
- transfer to the Jersey Reclaim Fund the balance of the dormant account, provided that this is permitted by Applicable Law.

If we divest ourselves of your cash in the circumstances outlined above, you have against

the Chief Minister in respect of the Jersey Reclaim Fund whatever right to payment of the part of the balance as you would have had against us if the transfer had not occurred.

### 6.10. How we hold your cash

Money of yours held by us on your behalf will be held by us as banker and not trustee. As a result, money will not be held on trust in accordance with the Client Assets Order. Were EFG Private Bank Limited, Jersey Branch to fail, therefore, money will be distributed under the general rules of insolvency.

Money held for purposes of resolving safe custody shortfalls will be held in accordance with the Client Assets Order, together with money of other clients, in a pool, free of lien, in accounts with trust status with one or more UK Banks or EU regulated credit institutions. This means that this money is segregated from our money in a client bank account. In the event of default, you would have a claim against the pool, not against a specific amount in a specific account.

Money which EFG Private Bank Limited, Jersey Branch holds for you in an account with itself may attract interest which will be paid quarterly in accordance with our normal banking procedures.

If you hold more than one Portfolio with us, the cash held within each Portfolio will be treated separately for the purposes of calculating interest.

Credit interest on money held by us is calculated on a daily basis by applying the appropriate rates of interest to the cleared balance on the money as at the end of each day.

Interest is applied quarterly in arrears on the first day of the following quarter unless otherwise agreed with you.

The credit interest rate payable in respect of your money is available from us on request.

Where interest is paid on your money balances, it will be paid net of tax where appropriate.

When executing Orders on your behalf, money held by us may be passed to a bank account of an intermediate broker, settlement agent or OTC counterparty located outside Jersey. In these circumstances the legal and regulatory regime applying to that person may be different to that of Jersey. In the event of the failure of that

person, your money may be treated differently from the manner in which it would be treated if it had been passed to an equivalent person in Jersey.

#### **6.11. Transfer of business**

If we transfer all or part of our investment business to a third-party (the “recipient”) which is relevant to your Portfolio(s), you agree that we may transfer any client money that forms part of a Portfolio to such recipient provided that such transfer takes place in accordance with Applicable Regulations and:

Your client money will be held by the recipient on your behalf in accordance with the Client Assets Order; or

If your client money will not be held by the recipient in accordance with the Client Assets Order and having exercised all due skill, care, and diligence in assessing whether the recipient will apply adequate measures to protect your money, we are satisfied that your money will not be subject to a lower level of protection than that which we offer under this Agreement.

#### **6.12. Pre-paid investments**

Certain transactions to acquire securities (e.g., initial public offerings, pre-payment funds) require the settlement value to be paid to the counterparty prior to the settlement date. If you enter into transactions of this type, your money will not be held by us as client money or as a cash deposit and will not be protected by the Client Assets Order after it is transferred to the counterparty. If the counterparty defaults before settlement of the transaction you may lose all, or part, of your money transferred to the counterparty or not receive your money back immediately.

#### **6.13. Treatment of assets on termination**

On termination of this Agreement in accordance with section 2.16:

- You will have 60 (sixty) calendar days from the notice of termination to provide us with the details of another firm, should you wish to have your assets transferred to them; or
- your investments will be sold, and the proceeds transferred to you. We will keep the proceeds in custody until you provide us with the necessary details to transfer them to you and that transfer is effective (including if we provide you a cheque, once that cheque has been cashed), subject to a

fee as defined by your Investor Profile Form.

## **7. ADDITIONAL TERMS WHICH APPLY TO PARTICULAR TYPES OF CLIENTS**

### **7.1. Trusts**

#### **7.1.1. Changes in trustees during the term of this Agreement**

At our option this Agreement shall continue in full force and effect notwithstanding any change in the composition of the trustees whether by death, retirement, or addition of trustees or otherwise.

#### **7.1.2. Joint and several liability**

Each of you accepts joint and several liability for the obligations accepted by you under this Agreement. Save in respect of liability arising directly or indirectly from fraud or wilful default, the liabilities of the trustees under the terms of this Agreement shall be limited to the assets of the trust from time to time.

### **7.2. Individuals applying jointly**

#### **7.2.1. Joint and Several Liability**

Your Portfolio may be held in the joint names of two or more individuals. In this situation, all joint account holders are bound by this Agreement and your obligations under this Agreement will be joint and several and any reference in this Agreement to you as the client shall be construed (where appropriate) as a reference to any one or more of you. Where there is a change of joint holders other than as a result of death, you will notify us as soon as practicable in writing.

#### **7.2.2. Instructions from you**

Unless we are instructed otherwise in writing:

- we will be entitled to accept and act on the instructions from any one of you. In certain circumstances we may require instructions to be given in writing by all joint account owners. This includes instructions to change Portfolio or address details or to register assets into a single name;
- any notice given to any one of you will be deemed to be given to all of you; and
- we will treat each joint account holder as having the right to all of the assets in your Portfolio and will not be concerned with the actual division or ownership of the assets between you and the other joint account holder(s).

### **7.2.3. Disputes**

In the event of a dispute between you and any of the other joint account holders, we may freeze your Portfolio until we receive further clear written instructions from all joint account holders or a court order.

### **7.2.4. Death during the term of the Agreement**

Upon the death of any individual joint account holder this Agreement will not terminate, and we may treat the surviving joint account holder(s) as the only person(s) entitled to or interested in the Portfolio.

## **7.3. Partnerships**

### **7.3.1. Changes in composition of non-incorporated partnerships**

This Agreement shall continue in full force and effect notwithstanding any change in the composition of a non-incorporated partnership whether by the death, retirement, or addition of partners to the partnership or otherwise.

### **7.3.2. Joint and Several Liability**

If you are a partner in a non-incorporated partnership each of you accepts joint and several liability for the obligations accepted by you under this Agreement.

## **7.4. Pension schemes**

### **7.4.1. Payments**

We undertake to ensure that any proceeds paid from the Portfolio to you shall be paid only into a scheme bank account in the name of the trustees.

### **7.4.2. Pensioner Trustee**

Any financial undertakings (including indemnities) made by you under this Agreement are, where applicable, treated as being made by the managing trustees and not by the Pensioner Trustee.

### **7.4.3. Unincorporated associations**

If you are members of an unincorporated association, the following additional terms apply:

### **7.4.4. Changes in membership during the term of this Agreement**

At our option this Agreement shall continue in full force and effect notwithstanding any change in the composition of the membership whether by death, retirement, or addition of members or otherwise.

### **7.4.5. Joint and several liability**

Each of you accepts joint and several liability for the obligations accepted by you under this Agreement.

## **7.5. US tax payers**

By signing this Agreement, you acknowledge and certify that you have sole responsibility for payment of any US taxes, interest thereon and penalties due to the Internal Revenue Service, the US Treasury Department, and the US state revenue services in relation to your US federal and state tax and filing obligations upon investments we make on your behalf. You further acknowledge that you have sole responsibility for obtaining qualified professional advice in relation to such US federal and state tax and filing obligations.

## **7.6. Those clients who appoint a financial adviser as their agent to deal with us in the provision of our Investment Services**

If you wish us to take instructions from a financial adviser, the following additional terms apply:

- we require the financial adviser to be an authorised/registered financial adviser under the laws of the jurisdiction in which he or she is based;
- you and not the financial adviser will be treated as our client;
- you confirm and undertake to us that the financial adviser has your authority to give instructions to us on your behalf and you direct us to implement those instructions;
- we will also provide the financial adviser with copies of all documentation, information or notices we are obliged to provide you with under the terms of this Agreement at the same time as these are provided to you; and
- we require a written and binding undertaking from your financial adviser:
  - a. that he, she or it has taken all necessary steps to collect and assess such personal and financial information concerning you as will allow him or her to assess the suitability of the services to be provided by us and any investment mandate agreed with you;
  - b. that he, she or it will keep your personal and financial information under regular review and notify us promptly of material changes to the information from time to time;



- c. that he, she or it is responsible for promptly notifying us he/she no longer believes that the Investment Services we provide are suitable for you he or she will notify us immediately.

The Investment Services we provide where you use a financial adviser are based on relevant information provided to us on a timely basis and the absence of such information may affect adversely the quality of the Investment Services, we provide to you.

You undertake to let us know immediately if the financial adviser ceases to act for you.

**7.7. Appointment of third-party agents**

If you wish to appoint any third-party agents, we will require separate authorisation and will provide you with further terms and conditions setting out the basis of that relationship.

**8. RISK WARNINGS**

**8.1. Investment Risk Warnings**

Risk warnings are provided for your information and protection. We strongly encourage you to read them and to contact us if you have any questions or require further clarification.

This document cannot cover all risks but is meant to act as a general guide to the most significant aspects of the risk associated with any products and services, we may offer you. Should you have any questions that are not dealt with here, you should raise them with your Client Relationship Officer.

**8.2. Performance risk**

The value and income of investments and securities is dependent on market performance and may therefore fall as well as rise. Investors may not get back the full amount of capital invested and should be aware that past performance is not a guide to future performance.

**8.3. Inflation risk**

The real value of investments may be adversely affected by inflation, and investors are reminded that, whilst an investment may have historically performed positively in an inflationary environment, past performance is not a guide to future performance.

**8.4. Interest rate risk**

Investors are similarly reminded the value of investments may be adversely affected by substantial movements in interest rates.

**8.5. Allocation and diversification risk**

Investments in smaller numbers of holdings may carry more risk than investments which are spread across a larger number of holdings. Similarly, investments that focus on specific sectors can carry more risk than investments spread over a number of different industry sectors.

**8.6. Market capitalisation risk**

Holdings in smaller companies (by market capitalisation) may have a more limited market than holdings in larger companies and may therefore be less liquid and have greater price volatility.

**8.7. Currency/Foreign exchange risk**

Where investments are denominated in different currencies from the base currency, foreign exchange rates may cause the value of these investments, and the income from them, to rise or fall. You acknowledge that:

- where a liability in one currency is to be matched by an asset in a different currency; or
- where you hold denominated in a currency other than the reference currency; or
- in any other transaction where more than one currency is involved, a movement of exchange rates may have a separate effect, unfavourable as well as favourable, on the gain or loss otherwise experienced on investments.

**8.8. International markets**

International markets will involve different risks from the UK markets, and some of the recognised markets in which investments may be traded may be regulated differently to those in the UK.

In particular, investing in emerging markets can carry a high degree of risk and may be considered speculative, as the markets are generally less well regulated, investments may be less liquid, and there may be less reliable arrangements around the trading and settlement of the underlying holdings.

On request, we will provide an explanation of the relevant risks and protections (if any) which will operate in any international 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 international markets or in foreign denominated investments will be affected by fluctuations in foreign exchange rates.

**8.9. Exchange control and repatriation risk**

In certain countries, there may be restrictions on the ability to repatriate investment capital, dividends, interest and other income, or it may require government consent to do so, resulting in delays in, or the refusal to grant consent for the repatriation of some or all of the monies held.

**8.10. Political and regulatory risk**

The value of investments may be affected by uncertainties, such as international political, governmental, legal, regulatory and/or taxation changes. Furthermore, the accounting, auditing, financial reporting, legal and/or regulatory standards in certain countries may not provide the same level of investor protection or information to investors, as would generally apply in more developed markets.

**8.11. Custody risk**

Local custody services may be underdeveloped in many emerging market countries, resulting in a higher level of transaction and custody risk involved in dealing in such markets. The costs associated with investing and holding investments in such markets will generally be higher than in organised securities markets, and, in certain circumstances, the full recovery of the underlying holdings may not be possible.

**8.12. Counterparty/credit risk**

The issuers of the underlying holdings (e.g. securities) of an investment may be affected by credit difficulties leading to investors losing some or all of their capital invested and/or any income payable.

Investments may also be exposed to credit risk in relation to the counterparties with whom the underlying holdings are traded and may bear the risk of counterparty default.

**8.13. Hedging risk**

Some investments may enter into currency exchange transactions or use techniques and instruments to seek to hedge' against fluctuation in the relative value of its Portfolio positions as a result of changes in currency exchange rates and/or interest rates. Although such hedging strategies are intended to minimise the risk of

loss due to a decline in the value of a hedged currency, their successful execution cannot be assured, and, conversely, they may limit any potential gain that might be realised should the value of the hedged currency increase.

**8.14. Liquidity risk**

Due to the nature of their underlying holdings, the liquidity of some investments may be limited, meaning that they may not be readily redeemable, and investors should be prepared to hold their investment for the full, prescribed commitment period.

In the event that early redemption is permitted, any value received will be subject to prevailing currency and market rates, as well as any exit penalties, as may be applicable, and the investor could get back less than the original capital invested.

**8.15. Redemption risk**

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 amount, because market conditions may make it impossible to execute such an order at the stipulated price.

Similarly, large redemptions of shares in a sub-fund may result in the sub-fund being forced to sell assets at a time and price at which it would not normally prefer to dispose of those assets.

**8.16. Investments which are not readily realisable**

You agree (subject to any written instructions provided by you) that we may purchase investments on your behalf which are not traded on a recognised or designated investment exchange, and/or for which a market is made by less than three independent market makers, and/or collective investment schemes managed by us or one of our Associates.

You acknowledge that these types of investments may not be readily realisable, and that there is no recognised market for such investments. As a consequence, it may be difficult to:

- deal in any such investment;
- obtain reliable information about the value of any such investment; and

- obtain reliable information as to the extent of the risks to which any such investment is exposed.

#### **8.17. Valuation risk**

Certain funds may hold any or all of their underlying holdings in illiquid and/or unquoted securities or instruments. Any valuations are subject to substantial uncertainty, and there is no assurance that they will reflect the actual sales or 'close-out' prices of the holdings.

In addition, there is an inherent conflict of interest between the involvement of the investment manager in determining valuations of underlying holdings and their other duties and responsibilities.

#### **8.18. Effect of fees or other charges**

Where any commissions, fees or other charges are charged to the capital, although the distributable income of the investment may be higher, there is the potential that performance or capital value may be eroded.

Before you begin to trade, you should obtain details of all fees and other charges for which you will be liable. If they 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 commissions, fees or other 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.

#### **8.19. Stabilisation**

On occasion, we may make investments on your behalf, where the price may have been influenced by measures taken to stabilise it.

Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other securities relating to it. Certain regulators allow stabilisation in order to help counter the fact that, when a new issue comes onto the market for the first time, the price can sometimes drop for a time before buyers are found.

Stabilisation is carried out by a "stabilisation manager" (normally the firm chiefly responsible

for bringing a new issue to market). As long as the stabilising manager follows a strict set of rules, he is entitled to buy back securities that were previously sold to investors or allotted to institutions which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.

The Stabilisation Rules:

- limit the period when a stabilising manager may stabilise a new issue;
- fix the price at which they may stabilise (in the case of shares and warrants but not bonds); and require them to disclose that he may be stabilising but not that he is actually doing so.

The fact that a new issue or a related security is being stabilised should not be taken as any indication of the level of interest from investors, or of the price at which they are prepared to buy the securities.

#### **8.20. Clearing house protections**

On many exchanges, the performance of a transaction by us (or third-party with whom we are 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 we or another party defaults on our obligations to you. On request, we will 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.

#### **8.21. Insolvency risk**

Our 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, we will 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.

## 8.22. Gearing

Gearing is a strategy used by fund managers with a view to enhancing the return for, or the value of a security without increasing the amount invested by the holders of the security, involving one or more of the following:

- borrowing money;
- investing in one or more instruments such as (but not limited to) warrants or derivatives, for which a relatively small movement in the value or price of the underlying rights or assets to which the instrument relates, whether favourable or adverse, results in a larger movement in the value or price of the instrument; and
- structuring the rights of holders of a security so that a relatively small movement in the price or value of the underlying rights or assets, whether favourable or adverse, results in a larger movement in the price or value of the security.

The use of leverage may increase any gains in the value of your Portfolio, but may also magnify any losses suffered by your Portfolio.

## 8.23. Securities Lending Risk

In the event of their being securities lending undertaken in connection with an investment, there will inherently be risks of delay and recovery attaching. Although collateral will be maintained with the purpose of equalling or exceeding the value of the securities being lent, there is a risk that the value of that collateral may fall below the value of the securities. In addition, where the collateral itself is invested, it will be exposed to the risks associated with such investments.

## 8.24. Contingent Liability 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 us to establish and 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

Save as specifically provided by Applicable Regulations, we may only carry out margined or contingent liability transactions with or for you if they are traded on or under the rules of a recognised or designated investment exchange. Contingent liability investment transactions which are not so traded may expose you to subsequently greater risks.

### Limited Liability Transactions

Before entering into a limited liability transaction, you should obtain from us 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.

## 8.25. Collateral

If you deposit collateral as security with us, 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 us how your collateral will be dealt with.

## 9. Product-specific information and risk warnings

This section sets out important information and risk warnings on individual products that may be offered under the terms of this Agreement,

but explicitly does not disclose all of the risks and other significant aspects of the investments listed. Before dealing in any investment, you should be comfortable that you understand their nature and the extent of your exposure to risk.

### **Warrants & Derivatives**

Although warrants and derivative instruments can be utilised for the management of investment risk, some of these products are unsuitable for many investors. Different instruments and strategies involve different levels of exposure to risk and in deciding whether to trade in such instruments you should be aware of the following.

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.

### **Off-exchange warrant transactions**

Transactions in off-exchange warrants may involve greater risk than dealing in exchange traded warrants because there is no exchange market through which to liquidate your position, or to assess the value of the warrant or 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. We will make it clear to you if you are entering into an off-exchange transaction and advise you of any risks involved.

### **Securitised derivatives**

These instruments may give you a time-limited right or an 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.

In buying this product you may sustain a total loss, a substantial loss or a loss of the money you have invested plus any commission or other transaction charges. We will advise you on each occasion a relevant transaction will be entered into on the precise scale of the exposure you will face. 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.

### **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 (see section 8.24 above).

### **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.

### **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 4 and 5 respectively. Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this (see section 8.24 above).

### **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. We will make it 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.

### **Hedge Funds**

Hedge Funds are different from traditional collective investment schemes in their ability to utilise an unrestricted number of (often speculative) investment techniques, including short-selling, options and derivatives, to enhance performance. Different investments involve different levels of exposure to risk and in deciding whether to invest in Hedge Funds you should be aware of the following.

### **Alternative Investment Funds (AIFs)**

Hedge Funds which are Alternative Investment Funds can carry a higher level of risk, as they are not subject to the same regulatory requirements



as regulated collective investment schemes and these schemes may not be readily realisable, and price swings may be more volatile if they are priced less frequently than authorised funds.

The promotion of Alternative Investment Funds is heavily restricted, and we will only promote them to those clients who have first been determined to fall within the criteria specified by applicable law and regulation.

### **Emerging markets**

To the extent that investments in Hedge Funds may be made in the markets of developing countries, the political, regulatory, and economic risks inherent in investments in emerging markets are significant and may differ in kind and degree from the risks presented by investments in the world's major markets. These may include greater price volatility, substantially less liquidity and controls on foreign investment and limitations on the repatriation of invested capital.

### **Illiquid investments**

Some Hedge Fund Managers may hold "illiquid" or "not readily realisable" investments which are difficult to sell because they are not traded on a regulated exchange or because transactions in them are too infrequent or irregular for a reliable quoted price to be available.

There can be no certainty that a market maker will be prepared to deal in them and proper information for determining their current value may not be available. These and other factors mean that there can be no assurance that trading will be profitable. Furthermore, some Hedge Funds themselves may also be open to redemptions and subscriptions and quote prices on an infrequent basis and it may take a considerable amount of time (e.g., 6 months plus) to redeem some or all Hedge Fund investments within a Portfolio. Similarly, in certain instances, 5-10% of proceeds from redemptions are held back until the end of a Fund's accounting period, which may be up to 12 months from the redemption date.

### **Exchange rate risk**

You should be aware that some investments may be denominated in a currency other than your base currency. The movement of exchange rates between the currencies may have a separate effect, favourable or unfavourable, on

any gain or loss which might otherwise affect the value of your investment.

### **Derivatives**

Hedge Funds may utilise both exchange traded and over the counter futures, options and other contracts as part of their investment policy. These instruments are highly volatile and expose investors to a high degree of risk. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage, and as a result, depending upon the type of instrument, a relatively small movement in the price of a contract may result in a profit or loss which is high in proportion to the amount of funds actually placed as initial margin. The performance of an over the counter contract is the responsibility only of the individual with whom the trade has been contracted with, therefore such investments will be subject to the risk of the inability of, or refusal by, the counterparty to perform its obligations with respect to such contracts. Any failure may subject such investments to substantial losses or substantial reduction in profits.

### **Leverage**

Some Hedge Funds may use leverage. Leverage can be employed in a variety of ways including direct borrowing, margining, and short-selling together with the use of futures, warrants, options and other derivative products. Generally, leverage is used to increase the overall level of investment in a Portfolio. Higher investment levels may offer the potential for higher returns but also expose investors to increased risk as leverage can increase a Fund's market exposure and volatility.

### **Volatility**

High volatility carries increased risk, as the value of investments subject to volatility may fall suddenly and substantially and the losses on realisation may be very high, including the total loss of the initial investment.

### **Collective Investment Schemes**

Collective investment schemes such as investment funds and open ended investment companies ("OEICs") and unit trusts invest monies on a pooled basis in a basket of investments, which typically might include gilts, bonds and quoted equities, but depending on the type of scheme, may also include derivatives, real estate or any other asset. The collective

investment scheme then issues shares or units in the vehicle holding the pooled funds and investments. They allow for diversification at a lower cost than might be achieved otherwise. However, you still remain exposed to the risks associated with the underlying investments that the collective investment scheme makes, though potentially to a lesser degree. A collective investment scheme that holds a number of different assets will thus spread its risk and reduce the effect that a change in the value of any single component investment will have on the overall portfolio.

### **Investment Trusts**

Investment trusts are companies listed on stock exchanges whose main business activity is investing in other companies. Most investment trusts can, and some do, borrow money to make investments. This can increase the volatility of the price of the shares of the investment trust itself and can increase the risk of the investment in the trust.

The effect of the borrowing is that where there is a rise in the price of the underlying securities, the value of the net assets attributable to each investment trust security rises by a greater percentage, and when the value of the underlying portfolio falls, the net assets attributable to each investment trust security falls by a greater percentage. Investment trusts often pursue a policy of “cross-investing” in other investment trusts, which in turn may also be borrowing money to leverage themselves. So, where an investment trust employs a higher degree of direct or indirect leverage, its securities are likely to be subject to significant fluctuations in value, and as a result, holdings in such an investment trust may be subject to sudden falls in value.

### **Exchange Traded Funds (“ETF”)**

ETFs are open-ended investment companies comprised of units traded on a regulated market or designated investment exchange. Like an index fund, an ETF represents a basket of stocks that reflects an index such as the FTSE 100.

Unlike a typical collective investment scheme (e.g., a unit trust), it trades like any other company on a stock exchange. An ETF’s price changes throughout the day, fluctuating with supply and demand. This is different from a typical collective investment scheme that has

its net-asset value (NAV) calculated at the end of each trading day. It is important to note that while an ETF attempts to replicate the return on indices, there is no guarantee that they will do so exactly. It is not uncommon to see a 1% or more difference between the actual index’s year-end return and that of an ETF. By owning an ETF, you get the diversification of an index fund with the flexibility of an equity investment. Because ETFs trade like stocks, you can margin them and purchase them in very small quantities. The expense ratio of an ETF is often lower than that of a typical collective investment scheme.

### **Venture Capital Trusts (“VCTs”)**

VCTs are professionally managed collective investment schemes listed on the London Stock Exchange and are similar to investment trusts. They invest in fledgling venture capital backed unquoted companies. These unquoted companies will ordinarily be at an earlier stage of development than larger quoted companies and will therefore carry a greater risk of failing.

VCTs must be approved by EIMRC for the purpose of the scheme. Once invested an investor may be entitled to various income tax and Capital Gains Tax reliefs, and VCTs are exempt from corporation tax on any gains arising on the disposal of their investments. However, in order to take advantage of the tax relief associated with VCTs, you should be aware that you must hold your investments therein for at least 5 years from the date of purchase.

### **Enterprise Investment Schemes (“EISs”)**

EISs are tax efficient schemes approved by HMRC to encourage investment into small unquoted companies carrying on a qualifying trade in the United Kingdom. Investment in companies that are not listed on a stock exchange often carries a high risk and the tax relief is intended to offer some compensation for that risk. As such, EIS investments are inherently high risk in nature. The specific risks vary depending on the particular EIS (e.g., an EIS based on investment in a single company is, of its nature, riskier than a more widely diversified EIS). Because the underlying holdings are not listed, the manager of an EIS cannot sell them, and unlike a VCT, the EIS itself is not traded on any market. Investors accordingly have to wait until the manager realises the cash value of the underlying holding(s) before they can redeem the value

of their investment. Investors also face risk in relation to CGT. If a capital gain is deferred by means of investment in an EIS, the same gain is re-crystallised when the EIS is sold. If the CGT rate falls, investors benefit, but if it rises then they will lose out.

### **Property Funds**

These funds are often structured as limited liability partnerships but may also be set up as Real Estate Investment Trusts (REITs) or open-ended investment companies (OEICs). As such they may also be set up to be highly illiquid and you may not be able to realise your investment immediately or the price may reflect a forced seller discount.

### **Equities**

If you buy shares or equity in a company, you become a member of the company and therefore share in the financial risk of that company. Equity-based investments are subject to general risks (political risk, interest rate risk, dividend risk, price risk, exchange rate risk, changes in the economic or regulatory environment, tax changes) as well as risks specific to the particular company. If a company issues a dividend, you will be entitled to receive one. However, the dividend per share depends on the issuing company's earnings and on its dividend policy. In cases of low profit or losses, dividend payments may be reduced or suspended. In the event of the company going into insolvency, your claim for recovery of your investment will rank behind various creditors of the business, whether secured or unsecured. The value of the equity can go down as well as up and you may lose part or all of your capital. There are specific risks associated with particular equities:

#### **Penny shares**

Penny shares are shares in smaller companies and can involve a higher degree of risk. In broad terms, penny shares are securities in relation to which the bid offer spread is 10% or more and the market capitalisation is below £100m at the time of the transaction or advice. There is a big difference between the buying and selling price of these shares. If they have to be sold immediately, you may get back much less than you paid for them. The price may change quickly, and it may go down as well as up. You authorise us to deal on your behalf or advise you on penny shares.

### **AIM Shares**

AIM is a market operated by the London Stock Exchange for small and growing companies. AIM-traded shares may carry a higher degree of risk than those listed on the main market as AIM is less regulated and less information is available. Shares in smaller companies tend to be traded less frequently and in smaller amounts than those of larger companies. Price volatility may be greater, making the timing of sales and purchases more difficult.

### **Foreign Stocks**

As well as the risks associated with the underlying company's business, there are additional risks associated with stock listed overseas.

### **Regulation S Securities**

We may on occasion purchase securities for your Portfolio which are exempt from the requirement of registration in the United States pursuant to Regulation S of the Securities Act 1933, as amended.

These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act 1933, as amended, and the applicable state securities laws, pursuant to registration or exemption there from. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

Regulation S Securities can only be held by non-US residents and citizens and cannot be registered in the United States for twelve months from date of issue. The effect of this is that you can only sell these securities off-exchange during the twelve month period and only to non-US persons. Thereafter the securities can only be sold into US markets pursuant to securities registration or an applicable exemption from registration. No hedging transactions with respect to the securities may be conducted unless in compliance with US securities laws.

Consequently, in addition to the high risks inherent in dealing in small capital market securities, you run an extra risk of losing money when you buy shares in "restricted" or "non-readily realisable" securities due to the difficulties in selling such securities.

We and our associated companies may receive an additional fee, ultimately paid by the issuing

company in respect of our role as introducing broker for these securities.

### **Bonds**

You should be aware that certain bonds may not be readily realisable. These are investments in which the market is restricted or may become so, with the result that it may be difficult to deal in them and/or to assess what would be a proper market price for them. If you do not wish us to enter into such transactions for you, you should notify us in writing. We will disclose to you any position knowingly held by us or any of our Associates in a non-readily realisable investment that forms part of your Portfolio(s).

Investments in higher yielding bonds issued by borrowers with lower credit ratings may result in a greater risk of default and have a negative impact on income and capital value. Income payments may constitute a return of capital in whole or in part. Income may be achieved by foregoing future capital growth.

### **Structured Products**

Structured Products are fixed term investments and are designed so that the investor's capital remains invested for the full term of the plan. Although it may be possible to liquidate the investment before the end of the term, the amount redeemed could be less than the initial capital invested.

The security of the original capital invested within a Structured Product depends on the ability of the counterparty (that is, the institution providing the underlying assets, rather than the product provider) to repay the investment at the end of the term. As a result, Structured Products as with all securities, are not covered under the Jersey Depositors Compensation Scheme, and any failure on the part of the counterparty could result in the investor not receiving back any or all of the initial capital invested.

### **Additional services by our associates**

When you obtain Investment Services from us relevant to an account held with one of our Associates, or where you obtain complementary Investment Services from one of Associates in addition to services you are receiving from us, separate terms and conditions will govern the provision of any services that our Associates provide you. The protections and rights (including as to recourse) that you are afforded

under Jersey law and regulation relevant to services we provide differ from what may be in place in other jurisdictions where our Associates operate. You will generally not have rights of recourse in Jersey relevant to services provided by our non-UK Associates, including any rights to appeal to the Channel Islands Financial Ombudsman. You should carefully review the terms and conditions provided by our Associates to understand your rights and protections relevant to the services they provide to you.

Where we introduce you to an Associate and you engage such Associate, we will directly or indirectly receive a financial benefit relevant to income earned by the Associate in relation to services they provide you. Similarly, where an Associate introduces you to us for services, they will directly or indirectly receive a financial benefit relevant to income earned by us in relation to services we provide you. These arrangements do not and will not result in additional fees being charged to you by us or by our Associates.

EFG Private Bank Limited

Jersey Branch

44 Esplanade

St Helier

Jersey

JE1 3FG

Phone: +44 1534 605600

Fax: +44 1534 605605

[www.efginternational.com](http://www.efginternational.com)

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