Risk disclosure statement for foreign exchange and CFD transactions

Forex and CFD ("Contract for Difference") transactions are highly speculative products involving a high level of financial risk since they are subject to extreme price swings that may cause substantial losses. Transactions in such products should be performed only by individuals who understand the precise nature of the agreed transactions, are aware of the risk and can assume a risk of loss greater than their margin deposit (see section 3). They should therefore carefully consider whether trading in such products is appropriate for them in the light of their experience, objectives, financial resources and any other circumstances.

For the risks related to transactions in other financial products (e.g. forward and future trades, options, etc.), please see the brochure "Risks Involved in Trading Financial Instruments", which we have made available on the Bank's website (www.cornertrader.ch).

This document briefly describes some of the risks associated with Forex and CFD ("Contract for Difference") trading. All such financial instruments are margin products. **Please read carefully section 3 of this document on "margin trading".**

This document is not intended to provide information about all risks, nor is it a substitute for personal understanding and experience related to such products. **<u>If necessary, it is advisable to consult with an independent financial expert .</u>**

Please note that any orders placed will be carried out only if there is sufficient liquidity on the market. Cornèr Bank Ltd (hereinafter the "Bank") has no obligation to act as a buyer or seller, and it cannot guarantee that all the orders placed will be executed.

1. FOREIGN EXCHANGE MARKET (Forex and FX Options)

The foreign exchange market makes it possible to speculate on exchange rate differences. Exchange rates may be influenced by global economic and political events, and by many other factors (e.g., extreme weather conditions, acts of terrorism, etc.). Variations in the exchange rates between currencies may entail both increases and decreases in the value of your investment.

2. CONTRACTS FOR DIFFERENCE (CFDs)

Contracts for difference ("CFDs") make it possible to speculate on the price swings of an underlying (e.g., shares, indexes) without having to buy the underlying. The market price of the CFD follows the price of the underlying almost 1:1. In CFD trading, only a percentage share of the total value of the positions (underlying) is deposited as security margin (see section 3 below). <u>Since the CFD position follows the market price of the underlying 1:1 and the margin amounts to only a fraction of the total value of the underlying, the resulting leverage effect is generally very high. In this regard, we invite you to read the disclaimer published on Cornèronline.ch and on the trading page of the iCornèr app.</u>

The gain or loss on a CFD will equal the difference between the market price of the underlying at the time of opening the position and the market price at the time of closing. To calculate the total gain/loss, it is necessary to consider any commissions, costs of financing (see section 2.6) and possible corporate actions (for dividends, for example, see section 2.4/2.5).

2.1 Risks related to long positions in CFDs (i.e. buying of CFDs)

Holding a long position in a CFD means acquiring the CFD while speculating that the price of the underlying will increase between the time of purchase and the time of closing.

If the investor holds a long position, he will make a profit if the market price of the underlying increases while the CFD position is open. <u>Conversely, the investor will incur a loss if the market price of the underlying falls while the CFD position is open. In this last case, the maximum loss equals the difference between the market price of the underlying at the time of purchase and at the time of closing multiplied by the number of CFDs (in addition to any commissions and costs of financing). The potential losses may therefore exceed the total amount of the margin deposited with the Bank. Moreover, if the account has insufficient funds (money), it may become necessary to close out the positions at the worst possible time.</u>

2.2 Risks related to short positions in CFDs (i.e. short-selling of CFDs)

Holding a short position in a CFD means short-selling the CFD while speculating that the market price of the underlying will decrease between the time of acquisition and the time of closing.

If the investor holds a short position, he will make a profit if the market price of the underlying decreases while the CFD position is open. <u>Conversely, the investor will incur a loss if the market price of the underlying increases while the CFD position is open. In this last case, the loss equals the difference between the total value of the underlying at the time of sale and at the time of closing multiplied by the number of CFDs (in addition to any commissions and costs of financing) and, in theory, may even be unlimited. The potential losses may therefore exceed the total amount of the margin deposited with the Bank. Moreover, if the account has insufficient funds (money), it may become necessary to close out the positions at the worst possible time.</u>

2.3 Market conditions

In case of particular market conditions (e.g. illiquid market, suspension of trading) it may not be possible to short-sell a CFD even if it is normally offered by the Bank or, if a CFD has already been sold, the Bank may require the investor to close the position. This may occur, for example, when an underlying share cannot be borrowed for reasons such as the announcement of a takeover bid, the payment of dividends, detachment of rights, or large and aggressive selling orders on the market or, for example, following the introduction of special arrangements by regulated markets (e.g. stock exchanges, particularly due to short-selling bans affecting a listed underlying).

2.4 Exercise of rights attaching to securities ("corporate action")

A CFD position replicates the purchase or sale of an underlying <u>without granting any rights related to the underlying (e.g. right to vote, right to demand delivery), since acquisition of the CFD does not entail buying the underlying.</u>

However, the issuance of shares by the company in which you hold the CFDs are held may affect your CFD positions, and thus your account and margin requirements. That means, for example, that if your margin is used up completely as the result of a share issue (capital increase or decrease or any other corporate action), your position may be closed out with any prior notice.

The Bank may exercise the corporate action with or without prior notice. If the Bank exercises a corporate action without prior notice, the Bank will inform the Client as soon as reasonably possible.

2.5 Payment of dividends

As a rule, holders of long positions in CFDs are entitled, in case dividends are distributed on the underlying shares, to be paid proportional amounts less any applicable charges, fees and commissions.

Holders of short positions in CFDs, on the other hand, have to pay an amount equal to the dividend paid on the underlying shares, plus charges, fees and commissions.

The debiting or crediting of dividends is performed by the Bank rather than by the dividend-distributing company and therefore exclusively constitute cash adjustments reflecting the corporate action affecting the underlying shares. Such payments will not take into account any special rules of taxation of dividends such as tax credits related to dividends under double taxation agreements (according to which the shareholder may reduce the tax paid on dividends if the company issuing the dividend has already paid part of the tax owed). The payment of such cash adjustments on CFDs, for example in connection with the payment of dividends on the underlying shares, may therefore differ from what the dividend payment would be if the same share were held directly.

The amounts will be credited to or debited from the investor’s account on the date of detachment of the coupon ("ex-date"), unless the dividend rate has not been confirmed (for example, if the dividend is stated in one currency and must be converted into another currency before the pay date), in which case the dividend will usually be paid on the value pay date.

2.6 Financing costs

In CFD trading, the investor is charged an interest rate that reflects the financing rate that would be charged if the funds to be invested were borrowed. That means that if you buy a CFD, you will have to pay the financing costs at the reference market interest rate plus an annual premium for the period during which you hold the position. No financing costs will be charged, however, if you open and close a CFD position on the same day. This means that if you hold a long position for a certain period, the financing costs may become substantial.

As a CFD seller, you will not receive any interest (except in the case of commodity CFDs).

2.7 Fluctuations in the underlyings

CFDs are financial products that allow speculating on the price movements of an underlying instrument. Although the quotes are provided by the issuer and a spread is applied to certain CFDs, the prices are derived from the relevant underlying instrument. Therefore, you must understand the risks associated with trading in the relevant underlying instrument because its fluctuations will affect the price and the profitability of your trade. It is in particular worth considering the following risks:

- **Currency**: fluctuations in a currency exchange rate will affect your profits and losses if you execute transactions in a currency other than your account currency;

- **Volatility**: the price movements can become volatile and unpredictable and some underlying instruments can be highly volatile. Such eventualities can have a direct impact on your profits and losses and cause greater losses. It is therefore important to be aware of and track the volatility of the underlyings;

- **Gapping**: gapping is a sudden unexpected price movement of an underlying from one level to another, with no prices in between. Most typically, this happens when a market closes and reopens the next day. However, various factors can lead to gapping (for example, economic events or market announcements). When the gapping occurs, for example, when the underlying market reopens the next day, the new price (and therefore the derived price) can be extremely different from the closing price, with no opportunity to close the trade at a price in-between the two levels. Gapping can result in a significant loss since stop losses do not protect against the risk of gapping (the orders will be executed at the next price that becomes available);

- **Liquidity**: the prices, spreads, margins and other variables of CFDs are influenced by the liquidity of the relevant underlying instruments. If the liquidity is low, this can result in wider spread and higher margin requirements. Please note that market conditions, liquidity and volatility can change significantly in a very short period of time and CFD margin requirements may be adjusted permanently and/or periodically to respond to the market situation and to improve protection against the increased risk.

- **Slippage**: refers to the difference between the price at which a trade is expected to be executed and the price of the actual execution. Slippage can occur at any time but is most prevalent:
  - During periods of higher volatility. In these cases, your execution might not be performed at the intended level due to a sudden move of the price.
  - When a large order is executed but the chosen price cannot be maintained as there is no enough volume available.

Slippage does not denote a negative or positive movement of the instrument. Any difference between the expected execution price and actual price is considered as a slippage. The result can qualify as positive slippage, no slippage or negative slippage, respectively if the final result to the investor has been favorable or not.

2.8 Counterparty Risk

The counterparty risk is the risk that one of the parties in a financial transaction is not be able to meet its obligations. When investing

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in CFDs your counterparty risk is the risk of default of the Bank. In the (unlikely) event of insolvency of the Bank, deposits of up to CHF 100'000 per depositor are given preferential treatment and protected by esisuisse, the Swiss deposit insurance scheme which ensures that the clients of an insolvent bank receives prompt payment of their protected deposits. More detailed information on the depositor protection scheme is available on the website of the Bank (www.corner.ch) and of esisuisse (www.esisuisse.ch).

3. RISKS RELATED TO MARGIN TRADING

All of the above-mentioned financial instruments are margin products: this means that you have to deposit a specific margin at the time of entering into the contract. The security margin is normally a percentage of the total value of the contract, which may be modified at any time (e.g. in case of changes in market volatility). Since the amount of margin is small compared to the value of the contract, transactions entail a "leverage effect", which means that a relatively small change in the market will have a proportionately larger impact on the margin deposited or to be deposited. In particular, if the market moves unfavourably relative to the position held or the margin levels are increased, then it may be necessary to deposit substantial additional funds at short notice to maintain your position. If call for additional funds is not met by the established deadlines, the position may be closed out at a loss and the investor will be liable for any resulting adverse effects.

You should be aware of the fact that the potential losses may greatly exceed the amount of the initial margin (and of any additional margins) deposited with the Bank and you may have to close out the position at the worst possible time.

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