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Regulated by the Central Bank of Ireland.

NCB

Independent & International

Wealth Management Division

Derivatives Risk Warning Notice

When investing in complex financial instruments there is a risk that you may lose some, all, or in certain cases more than your original investment. You should consider whether investing in complex financial instruments is suitable for you in light of your individual circumstances and taking account of your investment objectives and financial position. In deciding whether certain complex financial instruments are suitable investments, the nature and risks of such instruments should be carefully considered.

The following information does not disclose all the risks and features of trading in derivative products such as CFDs, warrants, futures or options. The price of derivative products are directly dependent upon the value of one or more investment instruments on which the derivative is based. Trading in derivatives is not suitable for many Retail Clients. You should not deal in derivatives unless you understand the nature of the transactions you are entering into and the extent of your exposure to risk and potential loss. You should carefully consider, and if necessary, seek professional advice to determine whether trading is appropriate for you in the light of your investment experience, objectives, financial resources and other relevant circumstances. Different instruments involve different levels of exposure to risk, and in deciding whether to trade in such instruments you should be aware of the following information:

(1) Contracts for Differences (CFDs)

A CFD is an agreement between two parties to exchange the difference between the value of the opening and closing price of a share over the period of a contract. The economic benefits of share ownership accrue to the CFD without the requirements of physical delivery (i.e. the investor does not need to own the underlying instrument). A CFD is an open-ended contract with no pre-determined settlement date. Transactions in CFDs are subject to margin requirements and bring about financial commitments and liabilities additional to the initial margin outlay at the time of purchase or sale of a CFD.

A CFD provider requires margin in the form of cash or other acceptable collateral, before a position in a CFD can be taken. This is called the "initial margin". The amount of margin is small relative to the underlying value of the contract so that the transactions are "leveraged" or "geared". If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit. When you "go short" a CFD, (e.g. have a short position in an underlying security) then the risk is unlimited. You should be very familiar with the underlying security of any CFD agreement you enter into.

(2) Futures

A futures contract is a standardised contract to buy or sell a certain underlying instrument at a pre-determined date in the future, at a pre-set price. The price of a futures contract is equal to the price agreed for the underlying asset at delivery date. The profit or loss on a future is determined according to the difference between the agreed price and the actual price at delivery date. Transactions in futures carry a high degree of risk, are subject to margin requirements and bring about financial commitments and liabilities additional to the cost of acquisition.

The amount of initial margin required to initiate a futures contract is small relative to the value of the contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit. This may work against you as well as for you. You may sustain a total loss of initial margin funds as well as any additional funds deposited with the firm to maintain your position.

If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit.

The placing of certain orders (e.g. "stop-loss" orders, where permitted under local laws, or "stop-limit" orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

(3) Options

An option is a financial derivative which represents a contract sold by one party (who is writing the option) to another (who is buying the option). The option buyer has the right, but not the obligation, to buy or sell a security or other financial asset at an agreed-upon price during a certain period of time or on a specific date.

There are many different types of options with different characteristics and risks, 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, one 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.

Writing options: If you write an option, the risk involved is considerably greater than buying an option. 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 ('covered call option') the risk is reduced. If you do not own the underlying asset ('uncovered call option') the risk can be unlimited. Only experienced persons should consider writing uncovered options and then only after securing full details of the applicable conditions and potential risk exposure.

(4) Warrants

A standard warrant is a time limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the issuer of the securities. Warrants often involve a high degree of gearing, meaning that a small movement in the price of the underlying asset, whether favourable or adverse, could result in a larger movement in the price of the covered warrant. The price of a warrant may therefore be volatile. You should be aware that if a warrant does not perform as expected, you could lose the whole of your investment plus any commission or transaction charges.

There are two different types of warrants: a Call warrant and a Put warrant. A Call warrant represents a specific number of shares that can be purchased from the issuer at a specific price, on or before a certain date. A Put warrant represents a certain amount of equity that can be sold back to the issuer at a specified price, on or before a stated date.

(5) Covered Warrants

Covered warrants have similar characteristics to an option and give the investor the right but not the obligation to buy (in the case of a Call warrant) or to sell (in the case of a Put warrant) an underlying asset at a predetermined price (known as the strike or exercise price) on or before a predetermined date (known as the expiry or exercise date). Whereas a warrant is only issued in shares, a covered warrant can be issued in any underlying instrument. They are normally only issued by financial institutions whereas warrants are issued by any company. The cost of a warrant is the premium plus transaction costs. A covered warrant, which has no leverage, is often referred to as a certificate. You should be aware that if a covered warrant does not perform as expected, you could lose the whole of your investment.

(6) Terms & Conditions

Our Terms of Business sets out the basis upon which we provide a share dealing service to you. Copies of all our Terms and Conditions are available on request. It is recommended that you read and understand our Terms and Conditions before undertaking a transaction.

TO: NCB Stockbrokers Limited,
3 George's Dock,
International Financial Services Centre,
Dublin1.

I/We acknowledge that I/We have received and understood this risk disclosure statement.

Date:

Signature of Customer: ________________________________

Signature of Joint Account Holder: ________________________________