

This Notice provides a description of certain risks associated with over-the-counter (or “OTC”) derivatives, hereinafter referred to as “OTC derivatives”.

### RISK WARNING

**The target client or prospective client of this Notice (the “Client”) is advised to carefully study the risks described herein. In this Notice, FlowBank AG (“FlowBank”, “we” or “us”) does not disclose or explain all the risks and other significant aspects OTC derivative transactions entail. The information provided in this Notice is not a substitute for professional financial advice. In addition, FlowBank has no obligation to inform the Client about the tax or legal consequences of OTC derivative transactions.**

This Notice must be read in conjunction with FlowBank’s General Terms and Conditions and the terms of the OTC derivatives transactions, as displayed and accepted on the trading interface of the Client’s account. The Client is also required to read all other risk disclosures, fact sheets and information provided by FlowBank in relation to OTC derivatives. Finally, the Client is requested to read the information brochure “Risks Involved in Trading in Financial Instruments” published by the Swiss Bankers Association and available at [www.swissbanking.org](http://www.swissbanking.org).

### SCOPE

This Notice applies to OTC derivatives transactions, i.e. transactions in derivative instruments that are not traded on a trading platform such as an exchange or a multilateral trading facility. This Notice also applies to contracts for difference (“CFDs”) and OTC derivative transactions whose underlying assets are foreign exchange and precious metals market instruments (“Forex and Bullion Transactions”). Before acquiring CFDs or conducting Forex and Bullion Transactions, the Client is strongly advised to read, in addition to this Notice, the risk warnings relating to CFDs and Forex and Bullion Transactions published by FlowBank.

### COMPLEXITY AND REQUIRED EXPERIENCE

OTC derivatives can take many different forms and are likely to have very different characteristics. The risks each OTC derivative presents depend on its own characteristics. The Client must therefore carefully study the terms of OTC derivatives before entering into transactions involving such instruments.

**OTC derivatives transactions can be very complex and can carry very significant risks.** Before acquiring or selling OTC derivatives, the Client must ensure that it has the necessary knowledge and experience to understand all the mechanisms and risks involved.

Like all derivatives, OTC derivatives are instruments whose price changes in relation to one or more underlying assets. Operation of the underlying assets market is generally highly important for understanding the risks of OTC derivatives. The Client must therefore have the necessary knowledge and experience to understand the underlying assets market and its impact on OTC derivatives. In this respect, the Client is hereby advised of the fact that movements on the underlying assets market can be greatly amplified by the mechanisms of derivatives. A small change in the price of an underlying asset is therefore likely to lead to substantial losses.

The Client furthermore accepts that FlowBank’s liability is limited under the General Terms and Conditions. FlowBank cannot therefore be held liable for losses incurred by the Client simply because of the Client’s investments in OTC derivatives.

### RISKS SPECIFIC TO OTC DERIVATIVES

#### 1. Bilateral trading

OTC derivatives are neither listed nor admitted to exchange trading or trade on an organised trading platform.

When investing in an OTC derivative, the Client enters into a bilateral transaction with a counterparty, which may be FlowBank or another institution. However, **unless otherwise specified in the terms and conditions of the transaction, FlowBank is the Client's counterparty** in all OTC derivative transactions.

In OTC derivatives trading, the Client's counterparty does not execute the Client's order to conclude the transaction on a trading platform. Instead, it sells or buys the OTC derivative directly from the Client.

Consequently, it is the Client's counterparty that determines the price at which the OTC derivative can be bought or sold. In addition, unless otherwise specified, OTC derivatives are illiquid and therefore not transferable.

There may be no price offered for an OTC derivative, or only one counterparty may be willing to offer prices for OTC derivatives of a certain type. As a result, comparisons between the quotes provided by a Client's counterparty and those provided by other counterparties may be limited. In addition, if the market for the underlying asset of an OTC derivative is illiquid or if data concerning this market are not readily available to the Client, comparison between a counterparty's quote and the market conditions of the underlying asset may be difficult or impossible.

## 2. Counterparty risk

Since trading in OTC derivatives takes place bilaterally between the Client and its counterparty, the Client is directly exposed should the counterparty be in default or become insolvent. If the Client's counterparty is in default or insolvent, any outstanding OTC derivative transactions between the counterparty and the Client may be liquidated without notice. Such liquidation and, more generally, the default or bankruptcy of the counterparty are likely to cause substantial losses to the Client.

In general terms, the Client's counterparty is not required to enter into an OTC derivative transaction or to provide prices for such

transactions. If the Client agrees to enter into an OTC derivative transaction and then wishes to close out its position before the OTC derivative expires (if applicable), the Client will only be able to do so if the counterparty agrees to deal with the Client.

## 3. OTC derivative prices and counterparty premium

OTC derivatives are generally priced in reference to the price of the underlying asset. Many other factors may also be taken into account, including the volatility of the underlying asset or the OTC derivative's expiry date, if it is a forward instrument. The Client is requested to review the methods of calculating the price of OTC derivatives and is expected to be familiar with them before concluding any transaction.

FlowBank reminds the Client that the price of certain OTC derivatives can be calculated in accordance with such rules that give the Client's counterparty significant leeway. By entering into a transaction, the Client consents to these rules. In addition, in OTC derivatives trading, the Client's counterparty is in principle remunerated with a premium (spread or mark-up). The premium is obtained by the difference between the price that the counterparty can itself obtain and the price applied to the Client. The premium is determined at the sole discretion of the counterparty.

It is the Client's responsibility to determine whether the price and the price fixing are appropriate for them.

## 4. Request for quote system

If the Client wishes to trade in OTC derivatives, such trading may be based on a request for quote system, which will then be indicated in the trading interface of the Client's account or otherwise communicated to the Client. This means that the bid or ask price (the "quote") displayed on the FlowBank website or in the trading interface of the

Client's account is purely indicative. To be able to enter into a transaction, the Client must therefore submit a request to its counterparty (which may be FlowBank or another counterparty). The counterparty may then, at its discretion, respond by offering the Client a firm quote, which may significantly differ from the indicative quote. Indicative quotes do not bind FlowBank or any of the Client's other counterparties. An OTC derivative transaction following a firm quote is concluded when it has been confirmed by the Client's counterparty.

When trading is based on a request for quote system, the Client's counterparty is not required to offer a quote to the Client making the request. There is therefore no guarantee that the Client will be able to carry out the desired transaction. There are many reasons why a counterparty may refuse or be unable to provide quotes. This may be the case in the presence of high volatility, exceptional events affecting the underlying assets market, malfunctions in FlowBank's systems or events linked to the counterparties' specific situation (e.g. injunctions from supervisory authorities or internal risk management procedures).

**If the Clients have chosen the counterparty with which they carry out a transaction, FlowBank is in no way liable should the counterparty be in default or become insolvent.**

#### **5. Inapplicability of collective investments rules**

**OTC derivatives are not collective investment schemes within the meaning of the Swiss Federal Act on Collective Investment Schemes. As a result, OTC derivatives have not been and will not be authorised or subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA). When trading in OTC derivatives, the Client cannot claim protection under Swiss regulations on collective investment schemes.**

#### **6. Short selling**

Short selling is only possible for certain OTC derivatives, where indicated or resulting from the trading interface of the Client's account. If a special event occurs and the Client has an unauthorised short position, the Client must close the position as soon as possible; at the same time, FlowBank is also entitled to close the position without prior notice.

#### **7. Margin and liquidation**

Certain OTC derivative transactions may be carried out on a leveraged basis, in the form of margin transactions. This means that the Client may enter into OTC derivative transactions whose total value exceeds the Client's investment. In such a case, FlowBank requires the Clients to maintain a margin on their account as security. **Leveraged OTC derivative transactions are extremely risky.**

The maximum leverage allowed, as well as the margin required to maintain a leveraged position, are set by FlowBank, at its sole discretion and for the sole purpose of protecting its interests. Maximum leverage and margin requirements may change at any time. As soon as the Client opens a position, the Client is solely responsible for informing itself of the applicable requirements and the maximum leverage, as well as for making all necessary decisions.

If margin or leverage requirements are not met, FlowBank is entitled (but not required) to close all Client positions and sell the assets deposited in the Client's account. Before closing the positions and selling the Client's assets, FlowBank is entitled to contact the Client by sending it Notices (as defined in the FlowBank General Terms and Conditions), to try to contact the Client by telephone or to display a corresponding message on the Client's account.

FlowBank may also decide not to notify the Client that a higher margin is required and close the Client's positions and sell the assets deposited in the Client's account. If we decide to ask the Client to provide more

margin, FlowBank may set very short deadlines for providing additional funds, or change the previously set deadlines. Therefore, the Client may not have enough time or opportunity to increase the margin, or to reduce leverage before its positions are closed and its assets are sold.

The Client expressly acknowledges that all assets deposited with FlowBank are pledged in favour of FlowBank as security for the transactions carried out. FlowBank can therefore realise the pledged assets if the Client does not meet the margin requirements.

In general, FlowBank is entitled to liquidate, with immediate effect, all open OTC derivative positions in advance if the Client does not meet its commitments to FlowBank or if FlowBank considers that the Client runs the risk of no longer being able to meet its commitments.

For some OTC derivatives, closing a position may require entering into a transaction that is opposite to the transaction entered into to open the position. The Client accepts that, in such cases, FlowBank may conclude the closing transaction, even if this results in significant losses for the Client. These losses may be greater than the amount invested by the Client and greater than the value of the closed position. **The Client may therefore suffer losses that exceed its investment and exceed the value of the positions it has opened.**

Some OTC derivatives may also give rise to the physical delivery of one or more underlying assets. Unless otherwise specified, FlowBank does not allow physical delivery and will not take the necessary steps to accept or carry out the delivery of assets on behalf of the Client. In addition, unless otherwise specified, **FlowBank is entitled (but not required) to close OTC derivative positions to avoid physical delivery, even in the absence of instructions from the Client.** If FlowBank allows or does not prevent physical delivery, the Client is solely responsible for organising the terms and conditions thereof and shall bear the costs.

## NO ADVICE

FlowBank does not provide financial, tax or legal advice. Any information provided by FlowBank to the Client is purely factual and does not take into account the Client's personal circumstances (e.g. its available assets or its risk propensity). In response to a question from the Client, FlowBank can provide factual market information or information about OTC derivatives, including information about FlowBank's procedures, the risks involved in these instruments and how these risks can, in general, be minimised. The provision of such information is not and should not be understood as advice.

Any decision to enter into an OTC derivative transaction is a decision of the Client, who is advised to obtain independent professional advice from an appropriately qualified advisor on any investment, financial, legal, regulatory, tax or other matters before entering into any OTC derivative transaction.

Furthermore, FlowBank does not examine whether the OTC derivative transactions that the Client wishes to conclude are appropriate, adequate or recommended in view of the Client's situation. It is up to the Clients to determine whether their financial resources are adequate for the transactions concerned and the level of risk that these transactions involve. Any decision by the Client to enter into OTC derivative transactions is the sole responsibility of the Client.

## LEGAL RESTRICTIONS

Transactions in OTC derivatives may be subject to certain restrictions, which depend in particular on the Client's place of residence, incorporation or establishment.

**By accepting this Notice and entering into OTC derivative transactions, the Client confirms that it is authorised, under the applicable law, to enter into such transactions.** The Client's counterparty is furthermore authorised not to enter into an OTC derivative transaction if it considers that the regulations applicable to the counterparty

itself, the transaction or the Client do not allow this, or only allow it under conditions that differ from those offered by the counterparty.

OTC derivatives are also subject to regulation based on the declarations of the 2009 G20 Pittsburgh Summit. These regulations impose certain requirements on OTC derivatives, including transaction reporting, risk limitation and margin requirements. These regulations may impact on the counterparties' ability to enter into OTC derivative transactions, as well as on the terms and conditions of the transactions. **The Client must therefore keep itself informed of the regulations applicable to OTC derivatives and their possible impact on the transactions concluded.** In addition, the Client is hereby advised that it or its

counterparty may be required to report the conclusion, liquidation or modification of OTC derivative transactions to a trade repository or authority. Unless otherwise specified by FlowBank, the Client is solely responsible for making the declarations to which it is bound under the applicable law.

### TRADING CONDITIONS

By entering into an OTC derivative transaction, the Client is bound by the terms of this transaction and undertakes to respect them. In addition, the Client undertakes not to use automated, algorithmic or similar systems that generate a large number of instructions in order to solicit quotes from counterparties.

**I declare to have read, understood and accepted this Notice and the General Terms and Conditions.**

**Place and date**  
**signature**

**Client's**