

**Wells Fargo Bank, National Association, London Branch**

and

**Wells Fargo Securities International Limited**

**Standard Terms and Conditions of Business**

**Wells Fargo Bank, National Association, London Branch**

Wells Fargo Bank, National Association, London Branch ("**WFBNA LB**"), is authorised and regulated by the Financial Conduct Authority (the "**FCA**") and the Prudential Regulation Authority (the "**PRA**") for the conduct of investment business in the United Kingdom.

**Wells Fargo Securities International Limited**

Wells Fargo Securities International Limited ("**WFSIL**") is authorised and regulated by the Financial Conduct Authority (the "**FCA**") for the conduct of investment business in the United Kingdom and is an indirect wholly owned subsidiary of Wells Fargo & Co.

The address for correspondence with WFBNA LB and WFSIL is:

Wells Fargo Bank, N.A./Wells Fargo Securities International Limited (*as applicable*)  
33 King William Street  
London EC4R 9AT

**1. Application and Scope of Terms of Business**

- 1.1 These Standard Terms and Conditions of Business (including the cover letter accompanying these Standard Terms and Conditions of Business) (together, the "**Terms**") are being issued at this time in accordance with the UK rules transposing Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), as they continue to form part of UK law by virtue of section 2 of the European Union (Withdrawal) Act 2018 and the obligation on both WFBNA LB and WFSIL to provide certain information to you in respect of the investment services made available to you. These Terms constitute a legally binding contract and are subject to any amendments which we may notify you of in writing in accordance with section 28 of these Terms. Unless otherwise stated, these Terms apply equally to your relationship with either WFBNA LB or WFSIL; giving us instructions to deal after receipt of these Terms constitutes your acceptance of them. These Terms supersede any other Terms (or notices expressly stated to form part of the Terms) previously sent to you by either WFBNA LB or WFSIL. These Terms do not affect the status of any other documentation entered into by you with WFBNA LB or WFSIL relating to specific products or services except where expressly stated otherwise. Unless otherwise stated or the context otherwise requires, "we", "us" or "our" shall refer to WFBNA LB and/or WFSIL, as applicable.
- 1.2 These Terms will apply on the basis set forth below to any services provided by WFSIL, which may include executing transactions on your instructions on your behalf, dealing with or for you as principal or arranging deals for you, providing services as described in Schedule 1 relating to OTC Derivatives and Securities Transactions, providing services as described in Schedule 2 relating to Fixed Income Transactions and

providing such other services as may be agreed between us (collectively the "**WFSIL Services**").

- 1.3 In relation to the services provided by WFBNA LB, we will deal with you as principal, and arrange deals between you and third parties, in privately negotiated derivatives transactions or foreign exchange transactions (including options) involving the following:
- (i) Interest rates;
  - (ii) Currencies; and
  - (iii) Indexes based on interest rates and currencies.

(Collectively the "**Wells Fargo Bank Services**" and together with the WFSIL Services the "**Services**".)

- 1.4 Any transactions entered into under these terms, including any OTC Derivatives and Securities Transactions (as defined in Schedule 1), Fixed Income Transactions (as defined in Schedule 2) and any privately negotiated derivatives transactions or foreign exchange transactions as described in section 1.3 above, shall together (or separately as the context requires) be referred to as "**Transactions**".
- 1.5 You and WFBNA LB or WFSIL may become parties to an ISDA Master Agreement published by the International Swaps and Derivatives Association, Inc., an Overseas Securities Lender's Agreement or Global Master Repurchase Agreement issued by the International Securities Market Association and The Bond Market Association, a Global Master Securities Lending Agreement issued by the International Securities Lending Association or another form of master agreement governing privately negotiated derivatives transactions, foreign exchange transactions, repurchase transactions, securities lending transactions or transactions in other over-the-counter products entered into between us (the "**Master Agreement**"). In addition, you and WFBNA LB or WFSIL may enter into one or more privately negotiated derivatives transactions or foreign exchange transactions subject to the terms of such Master Agreement.
- 1.6 Except to the extent expressly required by applicable law or by the rules of the FCA, nothing in these Terms shall supplement or modify any provision of the Master Agreement or of any transaction confirmation. In the event of any conflict between these Terms and any provision of the Master Agreement or of any transaction confirmation, the provisions of the Master Agreement or such transaction confirmation, as applicable, will prevail.
- 1.7 With respect to documentation other than the Master Agreement related to Services and Transactions between you and Wells Fargo Bank, N.A. generally, its home office or branches outside of London, or its affiliates (each, an "Other Agreement"), these Terms shall govern only with respect to that portion of your business handled or conducted by WFBNA LB and/or WFSIL as applicable, and in the event of a conflict between them, the provisions of these Terms shall prevail solely with respect to that portion of your business handled or conducted by WFBNA LB and/or WFSIL as applicable.

## **2. Understanding the Terms of Business and Client Categorisation**

- 2.1 Should you have any questions concerning these Terms, please contact the WFBNA LB/WFSIL Compliance Division at the address given above.
- 2.2 We have separately notified you of your status as either an Eligible Counterparty or as a Professional Client. Categorisation has taken place based on our internal client categorisation process. Different rules and different levels of protection apply to you depending on your client categorisation.
- 2.3 Where we have categorised you as a Professional Client, we have set out in Schedule 3 summary information on the services and products we provide to help you understand their nature and the risks involved.

## **3. Commencement of Terms of Business**

In accordance with these Terms, the Master Agreement referred to in section 1.5 above will become effective on the date of its execution and delivery, and each Transaction will become effective on its trade date unless otherwise specified in the transaction confirmation to the Master Agreement. Without prejudice to the continued operation of each Master Agreement or transaction confirmation in accordance with its terms, these Terms supersede any previous agreement between you and WFBNA LB or WFSIL on the same subject matter.

## **4. Payment for Services**

- 4.1 In relation to any particular Transaction, the amount payable to WFBNA LB (and, if applicable, any of its affiliates) in respect of the Wells Fargo Bank Services or the amount payable to WFSIL (and, if applicable, any of its affiliates) in relation to any WFSIL Services, the basis of calculation of such amounts, and the arrangements for settlement of those amounts shall be as set out in the related Master Agreement or transaction confirmation, in the Costs and Charges Disclosure or as otherwise agreed in writing between you and WFBNA LB or WFSIL (as applicable).
- 4.2 We may pay or receive fees, commissions or other non-monetary benefits, or share charges with, an associate or other third party in connection with Transactions carried out on your behalf where permitted by applicable law or regulations. If you are a Professional Client, information relating to such monetary or non-monetary benefits will be disclosed to you in the Costs and Charges Disclosure prior to such an arrangement taking place and such disclosure may be in summary form only. Further details of such remuneration or sharing arrangements will be made available to you on request.
- 4.3 You agree that we may provide you with details of our costs and charges as limited in accordance with article 50(1) of the Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive, as it forms part of UK law by virtue of section 3 of the European Union (Withdrawal) Act 2018 ("**MIFID 2 Delegated Regulation**") and as set out in the Costs and Charges Disclosure.

## **5. Your relationship with WFBNA LB and/or WFSIL (as applicable)**

- 5.1 You acknowledge that, in relation to each Master Agreement, Transaction or other agreement entered into under these Terms ("**Relevant Agreement**") with WFBNA LB and/or WFSIL:

- (i) both you and we will act solely as principal and not as agent;
- (ii) we will act only at arm's length and not as your agent, broker, advisor or fiduciary in any respect, and any agency, brokerage, advisory or fiduciary services that we (or any of our affiliates) may otherwise provide to you (or to any of your affiliates) excludes each Relevant Agreement;
- (iii) you are relying solely upon your own evaluation of the Relevant Agreement (including the present and future results, consequences, risks, and benefits thereof, whether financial, accounting, tax, legal, or otherwise) and upon advice from your own professional advisors;
- (iv) you understand each Relevant Agreement and those risks, have determined that they are appropriate for you, and willingly assume those risks. If you have been categorized as a Professional Client, you acknowledge that you have read and understand the information at Schedule 3 on the nature and risks of products and services;
- (v) we will undertake Transactions with you solely on an execution-only basis. We will not, unless we otherwise inform you, advise you on the merits or suitability of any Transaction or trading strategy or provide you with any investment advice or personal recommendations; you are responsible for ensuring that any product or service meets your investment objectives;
- (vi) views expressed to you (whether orally or in writing) on trading ideas, trading suggestions, market colour, economic climate, generic advice, research or other such information communicated or otherwise made available to you are provided merely for your information and are incidental to the provision of other services by us to you. These views are not based on an assessment of your individual circumstances, nor can they be relied upon as an assessment of the suitability of a Transaction for you. We give no representation, warranty or guarantee as to the accuracy or completeness of such information, nor as to the tax consequences if any. Where such views are included in a document containing a restriction on the person or category of persons for whom that document is intended or to whom it is distributed, you agree that you will not pass that document contrary to such restriction;
- (vii) you will not rely on any evaluation or advice (including any personal recommendation, opinion, or representation) from us, our head office, branches or affiliates or our representatives or our advisors (except representations expressly made in the Relevant Agreement or an opinion of counsel required thereunder), nor any advice on the merits or suitability of any Transaction or trading strategy or otherwise;
- (viii) if you have been classified as a Professional Client, we are entitled to assume for the purposes of the appropriateness assessment that you have the necessary knowledge and experience in the relevant investment field to understand the risks involved. If you do not consider this to be the case, you must make us aware of this prior to the provision of services by us to you and provide us with any available information as to the level of your knowledge and experience and to your financial situation. We are not required to assess whether a product or service is appropriate for you if you have been categorised as an Eligible Counterparty.

## **6. Instructions and Order Processing**

- 6.1 You may give us instructions in writing, by email or other electronic means or orally (including by telephone), unless we tell you that instructions can only be given in a particular way. Unless we tell you otherwise, we do not accept instructions by fax or

SMS text message. If any instructions are received by us by telephone, computer or other medium we may ask you to confirm such instructions in writing. We shall be authorised to follow instructions notwithstanding your failure to confirm them in writing. Any instructions given face to face must be confirmed in writing for us to regard them as actionable instructions by us.

- 6.2 We shall be entitled to act for you upon instructions given or purporting to be given by you or any person authorised on your behalf without further enquiry as to the genuineness, authority or identity of the person giving or purporting to give such instructions.
- 6.3 We may, but shall not be obliged to, accept an invitation or instructions to enter into a Transaction. If we decline to enter into a proposed Transaction, we shall not be obliged to give a reason. We shall promptly notify you accordingly to the extent permitted under applicable law.
- 6.4 Once given, your instructions may only be withdrawn or amended with our consent.
- 6.5 We can only cancel your instructions if we have not acted upon those instructions.
- 6.6 You shall observe the standard of behaviour reasonably expected of persons in your position and not take any step which would cause us to fail to observe the standard of behaviour reasonably expected of persons in our position.
- 6.7 We may record telephone conversations without the use of a warning tone, or any other notice, to ensure that the material terms of the Transaction, and any other material information relating to the Transaction is promptly and accurately recorded. We may also keep records of electronic communications between you and us. Such records will be our sole property but a copy of such recordings and communications will be available to you on request for a period of five years, and where requested by the FCA, for a period of up to seven years. These records will also be referred to in the event of a dispute between us.

## **7. Best Execution**

- 7.1 Where we have categorised you as a Professional Client and we execute orders on your behalf or pass orders to other entities for execution, we are required to take all sufficient steps to obtain the best possible results on the (ultimate) execution of those orders, taking into account certain factors specified under the FCA Rules. We will provide you with best execution on your orders in the manner set out in our Best Execution Policy (as amended from time to time), a summary or copy of which will be provided to you separately. You confirm that you have read and consent to such policy. We shall notify you of any material changes to our Best Execution Policy and unless you notify us to the contrary, we shall consider the continued placement of orders by you to constitute your continued consent to the Best Execution Policy as amended from time to time.
- 7.2 We will not owe you any duty of best execution in certain situations, for example:
  - (i) where we have categorised you as an Eligible Counterparty for the provision of non-advised services;
  - (ii) where you contact us with a request for a quote for the purchase or sale of a particular financial instrument and we accept such request; and

- (iii) where you give us specific instructions and we execute your order in accordance with those instructions (our duty of best execution will be discharged to the extent covered by those instructions).

For more information please refer to the summary/copy of our Best Execution Policy.

- 7.3 Where we are dealing for you directly, you consent to our executing your orders outside a UK Trading Venue or an EU Trading Venue, as applicable (as defined in article 2(16A) and article 2(16B) of Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012, as it forms part of UK law by virtue of section 3 of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**")).

## **8. Client Money**

- 8.1 In relation to WFBNA LB:

We act as banker in respect of any money we hold on your behalf in an account with ourselves. As a result, the money we hold for you is held by us as banker and not as a trustee under the FCA Client Money Rules. When we hold your money we are not required to comply with FCA Client Money Rules and if we become subject to insolvency proceedings, the FCA Client Money Distribution Rules will not apply to the money we hold for you and so you will not be entitled to share in any distribution under those Rules.

- 8.2 In relation to WFSIL:

- 8.2.1 We treat money received from you or held by us on your behalf in accordance with the FCA Client Money Rules. In these Terms, Client Money Rules means the provisions of the FCA's Client Assets Sourcebook relating to client money. Where we hold money on your behalf, we will keep it segregated from our own money in accordance with the FCA Client Money Rules.

- 8.2.2 In the event of the insolvency or any other analogous proceedings in relation to a third party with whom we hold client money for you, we will have no liability for that third party and will only have an unsecured claim against the third party on behalf of you and our other clients, and you will be exposed to the risk that the money received by us from the third party is insufficient to satisfy the claims of you and all other clients with claims in respect of the relevant account with that third party.

- 8.2.3 On your instructions, we may pass money received from you to a third party (e.g. an exchange, intermediate broker, OTC counterparty or clearing house) to hold in order to effect a Transaction through or with that person or to satisfy your obligation to provide collateral (e.g. initial margin requirement) in respect of a Transaction. We have no responsibility for any insolvency, acts or omissions of any bank, credit institution or other third party to whom we pass money received from you. The third party to whom we pass money may hold it in an omnibus account. You agree and acknowledge that where we transfer money held for you out of a relevant client money account to a third party on your instructions, this will involve a transfer of full ownership of the money to that third party, in which case you will no longer have a proprietary claim to such money and the transferee may deal with it in its own right.

- 8.2.4 We shall not pay you interest nor account to you for profits earned on client money unless we agree otherwise with you in writing.

- 8.2.5 We shall hold your money with a central bank, credit institution incorporated in an EEA state or a bank authorised in a non-EEA state in accordance with the FCA Client Money Rules.
- 8.2.6 Unless you have notified us in writing to the contrary, we may hold client money on your behalf outside the EEA. The legal and regulatory regime applying to any such bank or person will be different from that of the United Kingdom and in the event of the insolvency or any other analogous proceedings in relation to that bank or person, your money may be treated differently from the treatment which would apply if the money was held with a bank in an account in the United Kingdom. We will not be liable for the insolvency, acts or omissions of any third party referred to in this sub-section.
- 8.2.7 Where any obligations owing to us from you (whether present or future, actual or contingent) under these Terms are due and payable to us, we shall cease to treat as client money so much of the money held on your behalf as equals the amount of those obligations in accordance with the Client Money Rules. You agree that we may apply that money in or towards satisfaction of all or part of those obligations due and payable to us. For the purposes of these client money terms, any such obligations other than fees and commissions become immediately due and payable, without notice or demand by us, when incurred by you or on your behalf.
- 8.2.8 As a continuing security for the payment and discharge of all obligations owing to us by you (whether present or future, actual or contingent) under these Terms ("**Secured Obligations**") you grant to us, with full title guarantee, a first fixed security interest in all your right, title and interest you have in respect of money that we hold for you as client money in accordance with the Client Money Rules. You agree that we shall be entitled to enforce that security interest by applying that client money in or towards satisfaction of all or any part of the Secured Obligations which are due and payable to us but unpaid.
- 8.2.9 Where required by applicable law or regulation we shall provide to you information concerning the holding of client money and/or financial instruments. We shall provide such information at least as frequently as required by applicable regulation, unless you request such statement more frequently, in which case we shall charge a commercially reasonable cost for such provision.
- 8.2.10 We may deposit your client money with a depository who may have a security interest, lien or right of set-off in relation to that money in certain circumstances to the extent permitted by applicable regulation.
- 8.2.11 You agree that, if the aggregate balance of the client money we hold for you is equal to or less than the de minimis sum set out in the applicable FCA Rules, we may, in our sole discretion, decide to pay such money to a registered charity of our choice, in which case such money shall cease to be client money, if: (i) there has been no movement on such balance for six years (disregarding any payments or receipts of charges, interest or similar items); and (ii) we have made at least one attempt to contact you to return the balance using the most up-to-date contact details we have for you, and you have not responded to such communication within 28 days of such communication having been made.

## 9. Custody

Please note that WFBNA LB does not provide safe custody services but WFSIL can provide such services. In case you require safe custody services from WFSIL, a separate agreement will be applicable to the provision of such services.

## **10. Order Execution Reporting / Confirmations**

- 10.1 We will promptly send you the essential information concerning the execution of the order in each confirmation and we will inform you of the status of your order on request by you. Confirmations shall, in the absence of manifest error, be conclusive and binding on you, unless we receive from you objection in writing within five Business Days of dispatch to you or we notify you of an error in the confirmation within the same period.
- 10.2 For the purposes of reporting under Article 59 of the MiFID 2 Delegated Regulation, you agree that, to the extent you have the information already from us and/or a third party, such information does not have to be separately provided by us.
- 10.3 If you are an Eligible Counterparty, you agree that, notwithstanding any requirements under applicable law or regulation on the content and timing of reports in respect of the execution of orders, we may from time to time provide you with reports with different content and on a different frequency in reflection of the nature of our relationship.

## **11. Aggregating Orders and Limit Orders**

- 11.1 When executing your orders directly or passing on your orders to other entities for execution, we may combine your order with orders of other customers and with our own orders. We will do so only if we reasonably believe that you will obtain a no less favourable price than if your order had been executed separately. However, on occasion aggregation may result in you obtaining a less favourable price. By accepting these Terms, you agree that we may aggregate your order in this way and that in some cases this may result in you obtaining a less favourable result than would otherwise be the case. Where we aggregate your order with orders of other customers, we will do this fairly and in accordance with our order allocation policy.
- 11.2 You expressly instruct us not to make public any order you may place with us in respect of shares traded on a regulated market, or otherwise traded on a Trading Venue, at its specified price limit or better and for a specified size (a "**Limit Order**") where that order cannot immediately be executed under prevailing market conditions. We may however, where required by applicable laws or regulations, make such Limit Order public immediately or otherwise. You may, at any time, revoke this instruction for any particular Transaction where you do require immediate publication of the relevant order upon a failure by us to execute that order.

## **12. Material Interest**

- 12.1 Your attention is drawn to the fact that when we provide you with services under these Terms, we, our head office or other branch or affiliate may have an interest that is material in relation to the investment or Transaction concerned or could give rise to a conflict of interest and you agree that there will be no obligation to account to you for any profit. In accordance with our duty to manage conflicts of interest so as to prevent a material risk of damage to your interests, we will only disclose a material interest which could be a conflict of interest for you if the measures we have put in place to manage our conflicts of interest are not sufficient, in our determination, in the particular circumstances, to prevent the risk of damage to your interests. However, our employees are required to comply with our conflicts of interest policy (as amended from time to time) and disregard any such interest, relationship or arrangement when advising or arranging deals for you.



- 12.2 When we recommend a Transaction to you or enter into a Transaction for you, we, our head office, another branch or an affiliate could, for example, be:
- (i) dealing in the investment, a related investment or an asset underlying the investment, as principal for our (or its) own account or that of someone else. This could include selling to you or buying from you and also dealing with or using the services of an intermediate broker or other agent who may be our affiliate;
  - (ii) matching (e.g. by way of a cross) your Transaction with that of another customer by acting on his behalf as well as yours;
  - (iii) buying from you and selling immediately to another customer, or vice versa;
  - (iv) buying investments where it is involved in a new issue, rights issue, take-over or similar transaction concerning the investment or a related investment;
  - (v) holding a position (including a short position) in the investment concerned, a related investment or asset underlying the investment;
  - (vi) quoting prices to the market in the investment, a related investment or asset underlying the investment;
  - (vii) buying or selling units in a collective investment scheme where we are or an Associate is the trustee, operator or manager (or an adviser of the trustee, operator or manager) of the scheme;
  - (viii) involved as an underwriter or in some other capacity, in a take-over, a new issue or another transaction involving the investment or a related investment;
  - (ix) advising and providing other services to our affiliates or other customers who may have interests in investments or underlying assets which conflict with your own.
- 12.3 We may in our absolute discretion decline to arrange or enter any Transaction or give you advice, or make any recommendation to you, if we or our head office, another branch or any affiliate have an interest which will or may conflict with your interests.

### **13. Conflicts of Interests**

- 13.1 You accept that we and our head office, other branches or affiliates may have interests that conflict with your interests and may owe duties to others that conflict with your interests.
- 13.2 We will comply with the rules of the FCA and of any other relevant regulatory authority and all other applicable laws, rules and regulations as in force from time to time. In accordance with FCA Rules we are required to have arrangements in place to identify, prevent or manage conflicts of interest between us and you and between our different clients. We operate for these purposes in accordance with our conflicts of interest policy (as amended from time to time) under which we have identified the situations in which there may be a conflict of interest, and, in each case, the steps we have taken, or will take, to prevent or manage that conflict. Where the arrangements under our conflicts of interest policy are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, we will inform you of the nature and source of the conflict and the steps taken to mitigate the related risks so that you may choose whether to continue to do business with us on the particular occasion when the conflict arises.

- 13.3 We maintain arrangements that restrict access by our employees to information relating to areas of our business (and that of our head office, other branches or affiliates) with which, and the affairs of clients with whom, they are not directly concerned. Accordingly, we shall not be required to have regard to, or disclose to you, or make use of, any information which belongs to or is confidential to another client or to us or any of our head office, branches or affiliates, and we may be unable to provide particular Services without disclosing the reason for such inability.
- 13.4 Where a material connection exists between us and a connected broker, you do not require us to give you notice of that.
- 13.5 We may in our absolute discretion decline to provide any Service to you if we or any of our head office, branches or affiliates have an interest which will or may conflict with your interests.

#### **14. Confidentiality and use of information**

- 14.1 Subject to section 14.2, we will treat all information (including any personal data) that we receive from you, or otherwise hold about you or your account, clients or other affairs, in connection with these Terms or our services ("**Your Information**") as private and confidential even when you are no longer a customer. We will not disclose Your Information to others except: (i) to the extent we are required to do so by the rules of the FCA or any other applicable laws, rules or regulations of any jurisdiction; (ii) where there is a duty to the public to disclose; (iii) where our interests require disclosure; (iv) as described in section 14.3.2; or (v) at your request or with your consent.
- 14.2 Section 14.1 does not apply to information (other than personal data) which (i) is or becomes publicly available other than through disclosure in breach of these Terms; (ii) becomes available to us (or any of our affiliates) on a non-confidential basis from a source other than you; (iii) was already in our (or any of our affiliates') possession before being acquired in connection with these Terms; or (iv) was or is independently developed by us or any of our affiliates without reference to Your Information.
- 14.3 We, our head office, other branches and our affiliates may:
- 14.3.1 hold and process Your Information to (i) administer and operate your account, provide any service to you, and fulfil your instructions; (ii) monitor and analyse the conduct of your account, and prevent fraud; (iii) assess any credit limit or other credit decision (as well as the interest rate, fees and other charges to be applied to your account); (iv) manage and develop our relationship with you, including for marketing purposes; (v) enable us to carry out statistical and other analysis; and (vi) comply with our legal and regulatory obligations in any jurisdiction; and
- 14.3.2 disclose Your Information to (i) those who provide services to us or act as our agents; (ii) any person to whom we transfer or propose to transfer any of our rights or duties under these Terms; (iii) credit reference agencies and other organisations that help us and others make credit decisions and reduce the incidence of fraud or in the course of carrying out identity, fraud prevention or credit control checks; (iv) you and your representatives, or any other person as necessary to fulfil your instructions; (v) courts and litigation counterparties, or any other person, as required by the law of any jurisdiction; (vi) the FCA or any other regulatory, prosecuting, taxation or other governmental authority in any jurisdiction to which we are, or any of our head office, other branches or

affiliates is, subject; or (vii) any securities, options or futures market or exchange in any jurisdiction on which we may deal or its related clearing house (or to investigators, inspectors or agents appointed by them).

Confidential information provided to or shared with our head office, branches or affiliates shall be protected thereby and retained in accordance with applicable laws and regulations and/or the terms of any non-disclosure agreement between us.

14.4 To the extent applicable, before providing us with any personal data in connection with these Terms or our services you shall ensure that the individuals to whom the data relate have the following information, including by providing a link to the Wells Fargo International Privacy Notice at [https://www.wellsfargo.com/privacy\\_security/privacy](https://www.wellsfargo.com/privacy_security/privacy) (except where provision of the information is not necessary so that we may lawfully process their personal data as permitted by this section 14):

- (a) the categories of personal data that you are providing to us;
- (b) our identity, and that they can contact us and our data protection officer at the address provided in the Wells Fargo International Privacy Notice above;
- (c) that we may process and disclose their personal data as described in section 14.3 and in the Wells Fargo International Privacy Notice;
- (d) that this processing is permitted by applicable data protection law because it is (i) necessary for the purposes of our legitimate interests in pursuing the purposes set out in section 14.3.1 or other purposes set forth in the Wells Fargo International Privacy Notice (which are not overridden by prejudice to their privacy); and/or, in some cases, (ii), necessary so that we can comply with applicable law and regulation;
- (e) that this may involve transfer of their personal data to any country, including countries outside of the UK, but that in those cases, except where the relevant country has been determined to ensure an adequate level of data protection by the Secretary of State, if we are transferring the personal data to a group company or service provider we will ensure the data are protected by a data transfer agreement in the appropriate standard form set out in regulations made by the Secretary of State (and that further details of these transfers and copies of these agreements are available from us on request);
- (f) that we will retain their personal data in accordance with applicable requirements;
- (g) that they (i) have rights of access to and rectification or erasure of their personal data and to restrict or object to its processing, which they can exercise by contacting us (see section 14.4(b) above); and (ii) can lodge complaints about our processing of their personal data with the office of the Information Commissioner ([www.ico.org.uk](http://www.ico.org.uk)).

14.5 Neither we nor any person connected with us owes any duty to disclose to you or use for your benefit any fact, matter or thing which comes to the notice of ourselves or any person connected with us, or of any employee, director or agent of ours or any

person so connected, in the course of providing investment services to others or if such disclosure or use would be a breach of duty or confidence to any other person.

## 15. Transaction Reporting

- 15.1 We may from time to time be required to report details of your Transactions and details about you to any relevant regulatory authority in any jurisdiction ("**Applicable Regulator**" pursuant to applicable law or regulation (including without limitation pursuant to Article 26 of UK MiFIR ("**Transaction Reporting Requirement**")).
- 15.2 We may from time to time be required to provide information relating to your Transactions and details about you to a market operator, investment firm operating a Trading Venue or Systematic Internaliser (each as defined in UK MiFIR and an "**Execution Venue**") pursuant either to applicable regulation or pursuant to the rules or procedures of, or any other contractual or other arrangement with, the applicable Execution Venue, to enable such Execution Venue to comply with its requirements to make public transaction details pursuant to applicable regulation (including, without limitation, pursuant to Titles II and III of UK MiFIR) (a "**Market Transparency Requirement**").
- 15.3 Where we are trading in commodity derivatives, emission allowances or derivatives thereof, we may from time to time be required:
- 15.3.1 where such trades are conducted on a Trading Venue, to provide information relating to the positions in such financial instruments of you (and of your own clients, and clients thereof, until the end client is reached) (together, "**Members of the Client Chain**") and details about each Member of the Client Chain), to an Execution Venue pursuant either to applicable regulation or pursuant to the rules or procedures of, or any other contractual or other arrangement with, the applicable Execution Venue to enable such Execution Venue to comply with its requirements to make public transaction details pursuant to applicable regulation; and
- 15.3.2 where such trades are conducted outside a Trading Venue, to report information relating to Members of the Client Chain and their positions to an Applicable Regulator pursuant to applicable regulation (including, without limitation, pursuant to 10.4.8 D of the FCA's Market Conduct Sourcebook),
- together the "**Position Reporting Requirements**".
- 15.4 We may from time to time require you to provide such information (and updates to such information as may have already been provided) relating to you and your agents, employees, underlying principals or others and (in respect of Position Reporting Requirements) any other Members of the Client Chain as we may reasonably require in order to comply with any Market Transparency Requirements, Position Reporting Requirements and Transaction Reporting Requirements as we may reasonably believe may arise in respect of your Transactions or the Services provided or expected to be provided to you ("**Counterparty Data**").
- 15.5 You:
- 15.5.1 agree to deliver to us such Counterparty Data as requested by us in time for us to comply with our Transaction Reporting Requirements, Position Reporting Requirements or Market Transparency Requirements, as applicable;

15.5.2 represent to us that such Counterparty Data as you deliver is, at the time of delivery, true, accurate and complete in every material respect;

15.5.3 acknowledge that we may rely on the Counterparty Data without investigation, unless and until you inform us otherwise; and

15.5.4 undertake to provide us on reasonable notice, with any material changes or updates to the Counterparty Data.

## **16. Prevention of Money Laundering**

We have certain responsibilities under anti-money laundering laws and regulations applicable to us to verify the identity and address of clients and their sources of funds. We may make enquiries and obtain information from you for this purpose. You confirm that all information you supply is accurate at the time you supply it to us and you agree that we may make enquiries of any person or authority to establish or check certain facts.

## **17. Exchange of information regimes**

17.1 We have certain obligations under various exchange of information regimes in respect of tax, including in connection with the US Foreign Account Tax Compliance Act (known as FATCA) or the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Accounting Information (known as CRS) (and, in each case, any treaty, law or regulation of any jurisdiction, or any intergovernmental agreement, in respect of or implementing such exchange of information regime). We may require certain information or documents from, and/or the completion of certain forms or documents by, you which are in our absolute discretion necessary for us to comply with any exchange of information regime to which we are subject. You shall supply such information or documents, or complete and supply such forms or documents to us, as soon as practicable upon request by us.

17.2 You confirm that any information, documents and forms you provide to us are accurate at the time you supply it to us, and you agree that we may make enquiries of any person or authority to establish or check certain facts. You agree that if any information, documents or forms you provide to us materially change, you shall supply us with updated information, documents or forms promptly upon you becoming aware of such material change and without further request by us.

## **18. Compensation**

You may be entitled to compensation from the Financial Services Compensation Scheme if we cannot meet our obligations under these terms of business. This depends on your status as a claimant, the type of business and the circumstances of the claim. Further information about compensation arrangements is available from the Financial Services Compensation Scheme.

## **19. Complaints**

If you have any complaint about our performance of the Services you should direct that complaint to our Compliance Director at the address provided above, who will investigate the nature of your complaint to try to resolve it in accordance with our internal procedures for dealing with customer complaints. Further information about our process is available on request. If you are dissatisfied with the outcome of our

investigation, you may ask the Financial Ombudsman Service to investigate your complaint if it is within its terms of reference.

## **20. Limitation of Liability**

- 20.1 Neither we nor any person connected with us, nor any of our or their respective directors, employees or agents have any responsibility or liability whatsoever in the absence of gross negligence, fraud or wilful default by us:
- (i) for any loss or loss of profit as a result of any advice or opinion which may be given or expressed by us or any of them to you in good faith concerning any investment or investment transaction; or
  - (ii) for any expense, loss or damage suffered by you as a result of our or their carrying out your instructions or being unable, for reasons outside our or their control (including the failure of or delay by WFBNA LB, WFSIL or any other party), to carry out your instructions either at all or on a timely basis.
- 20.2 Neither we nor any person connected with us, nor any of our or their respective directors, employees or agents have any responsibility or liability whatsoever in relation to any action that we consider necessary to take to meet applicable legal and/or regulatory obligations.
- 20.3 However, this provision shall not exclude or restrict any duty or liability which we have in relation to you under the rules of the FCA or any liability which we may incur under the Financial Services and Markets Act 2000 or under those rules in respect of a breach of any such duty. In addition, nothing in these Terms shall limit our liability for death or personal injury resulting from our negligence.

## **21. Force majeure**

We shall not be in breach of our obligations under these Terms if there is any total or partial failure of or delay in performance of our duties and obligations occasioned by any act of God, fire, act of government or state, civil commotion, insurrection, embargo, inability to communicate with market makers for whatever reason, failure of any computer dealing or settlement system, prevention from or hindrance in obtaining any energy or other supplies, labour disputes of whatever nature, late or mistaken delivery or payment by any bank or counterparty or any other reason (whether or not similar in kind to any of those stated above) beyond our control.

## **22. Indemnity**

- 22.1 You hereby irrevocably and unconditionally agree to indemnify or reimburse us and our agents on demand, and keep us fully and effectively indemnified (whether before or after termination of these Terms) from and against any and all acts, claims, demands, liabilities, obligations, losses, damages, penalties, actions, judgment, legal proceedings, expenses and disbursements of any kind or nature whatsoever which may be imposed on, incurred by or assessed against us as a direct or indirect result of our acting under these Terms including (without limitation) our so acting on any instructions received from you in respect of which you or any counterparty or bank do not make good and timely delivery or payment.
- 22.2 However, this indemnity shall not apply to any losses or liabilities to the extent it arises or results from any contravention by us of the rules of the FCA or of the Financial Services and Markets Act 2000.

Reference in section 22.1 as above to "us" includes reference to our head office or our branches or affiliates and any director or employee of us or thereof.

### **23. Representations and Warranties**

You represent and warrant that:

- 23.1 You have all necessary authority, powers, consents, licences and authorisations to enter into these Terms and to deal in the investments contemplated hereunder;
- 23.2 The persons entering into these Terms and each Transaction on your behalf have been duly authorised do so;
- 23.3 These Terms, each Transaction and the obligations created under them both are binding upon you and enforceable against you in accordance with their terms and do not and will not violate the terms of any regulation, order, charge or agreement by which you are bound;
- 23.4 Any information which you provide or have provided to us in respect of your financial position, domicile or other matters is accurate and not misleading in any material respect; and
- 23.5 You are willing and financially able to sustain a total loss of funds resulting from entering into the Transactions.
- 23.6 You are not entering into these Terms, and are not entering into and will not enter into any Transaction in connection with these Terms, for the purpose or one of the purposes of, engaging in or facilitating tax evasion by any person in any jurisdiction.

### **24. Refusing your instructions**

- 24.1 We may refuse to enter into, execute, transmit, deal in or otherwise arrange any Transaction or we may otherwise impose position management controls and may close out, terminate or reduce any position or Transaction (or require you to do any of the foregoing) for the purposes of complying with our own position limits applicable to us imposed by an Applicable Regulator or position management controls imposed by a Trading Venue (including, without limitation, pursuant to 10.2 of the FCA's Market Conduct Sourcebook or procedures and rules required thereby);
- 24.2 We may refuse to enter into, execute, transmit, deal in or otherwise arrange any Transaction where, you have not provided such information (and waived or procured the waiver of any confidentiality or data protection/privacy obligations in respect of such information) as we may reasonably require:
  - (a) in order for us to comply with any Transaction Reporting Requirements or Market Transparency Requirements in respect of such Transaction; or
  - (b) where our non-receipt of such information (including, without limitation, an applicable legal entity identifier code) would mean that we are prohibited by applicable regulation to enter into, execute, transmit, deal in or otherwise arrange (as the case may be) such Transaction; and
- 24.3 We may refuse to enter into, execute, transmit, deal in or otherwise arrange any Transaction or perform any obligation pursuant to these Terms or Service where such action or performance:

- (a) would cause WFSIL to breach any prohibition or restriction imposed or specified by a relevant authority; and
- (b) would be prohibited, or made impracticable to effect on reasonably commercial terms, by any suspension or removal from trading of a financial instrument imposed by an Applicable Regulator pursuant to applicable regulation (including, without limitation, pursuant to the provisions contained in the FCA's Market Conduct Sourcebook).

## **25. Close-Out**

- 25.1 If at any time, we determine, in our absolute discretion, that (a) you have not performed (or may not be able or willing in the future to perform) any of your obligations to us, or (b) you are in breach of any of these Terms, we are authorised in our discretion, and without prior notice to you, to:
- 25.1.1 sell or charge, in any way we may in our absolute discretion select, any or all of your assets and property, which may be in our possession or control or in that of any of our affiliates;
  - 25.1.2 buy any investment or other property of which your account may be short;
  - 25.1.3 take any action we see fit in order to close-out your account, in whole or in part, or in order to close-out any commitments made on your behalf; and
  - 25.1.4 enter into any foreign exchange transaction, at such rates and times as conclusively determined by us, as is appropriate in order to meet obligations incurred on your behalf by us or for account(s) with our affiliates.
- 25.2 You hereby authorise us to take any or all of the steps in section 25.1 above, without notice of any kind to you and you agree that you shall remain liable for any deficiency. You hereby agree to indemnify and hold us harmless in relation to all costs and expenses (including reasonable legal fees), which we may incur in taking such steps or in recovering any deficit. These rights are in addition to any other rights that we or any of our affiliates may have and any rights under any applicable laws or regulations and pursuant to any agreement they or we have with you other than this one.
- 25.3 Unless you notify us to the contrary, we shall assume that all amounts of every kind which are payable between us will be settled on a net basis.
- 25.4 Without prejudice to any other rights to which we may be entitled under these Terms, we shall have the right at any time without notice to combine or consolidate all or any of your accounts maintained with us, and to offset any and all amounts (whether actual or contingent, present or future) owing to or by us or any of our affiliates in such manner as we may determine.
- 25.5 Where we so require, you agree to execute such documents and take such other action as we may request in order to give effect to our rights under this section in relation to amounts owing to or by us or any of our affiliates, or enable us to exercise any such rights.
- 25.6 We have additional close-out rights under section 24.1 above in relation to position limits and position management controls.



25.7 The provisions of this section 25 shall be without prejudice to any other provisions in these Terms that cover substantially similar matters.

## **26. Waiver of fiduciary duties**

26.1 You hereby agree that, even if we give you advice or act as your agent or on behalf hereunder, the only duties or obligations we owe you are those set out expressly in these Terms or arising under the rules of FCA. Furthermore, we do not owe you or any other or further duties or obligations (whether arising from the fact that we are acting as your fiduciary or otherwise).

26.2 You hereby also agree that any consent or waiver given by your acceptance of these Terms in relation to any duty or obligation we might otherwise owe you shall be valid, effective and comprehensive even though the consent (or the disclosure to which it relates) is general only and not specific to the particular Transaction concerned.

## **27. No indirect customers**

If you are an authorised or exempt person under the Financial Services and Markets Act 2000, you agree that, even if you are acting as a portfolio manager or agent for another person, only you will be our customer for the purposes of the rules of FCA and that, even if you have identified your client to us, that client will not be our indirect customer for those purposes. In this section 27, references to "customer" include for the avoidance of doubt reference to both Eligible Counterparties and Professional Clients.

## **28. Amendments**

28.1 We may amend these Terms by sending a notice describing the relevant changes to you in accordance with section 34 below. Such changes will become effective on the date specified in the notice.

28.2 No amendment to these Terms will amend or otherwise affect the terms of any outstanding order, Master Agreement, Other Agreement or any Transaction or any legal rights or obligations that may already have arisen under these Terms, any Master Agreement, Other Agreement or any Transaction.

28.3 You agree to notify us immediately of any changes in your financial circumstances or tax status, which may be relevant to the performance of our duties under these Terms.

## **29. Termination**

29.1 Each of us is entitled to terminate these Terms by giving the other written notice at any time and termination shall be effective either immediately or at any later time specified in the notice.

29.2 The authority given to us by you to arrange the execution and settlement of Transactions shall continue in force and shall not be revoked despite any event which might otherwise terminate it until these Terms are terminated pursuant to this section 29.

29.3 Termination will not affect any outstanding order or Transaction or any legal rights or obligations which may already have arisen or may arise from the fulfilment of those orders (including any obligation to reimburse or indemnify us or to pay for any

investments acquired by us on your behalf or sold by us or any affiliate to you). You are required to settle outstanding Transactions immediately on termination of these Terms.

- 29.4 Unless otherwise expressly agreed in writing between you and us, termination of these Terms will not terminate or otherwise affect the terms of any Master Agreement, Other Agreement or any Transaction or any legal rights or obligations which may already have arisen under these Terms, any Master Agreement, Other Agreement or any Transaction.
- 29.5 References in section 29 to "we" or "us" include references to our head office or our branches or affiliates.

### **30. Assignability**

These Terms are personal to you and shall not be capable of assignment or of otherwise being transferred by you. Upon the dispatch of a written notice to you WFSIL and or WFBNA LB, may transfer to an Affiliate all of its rights, powers, liabilities and obligations under or pursuant to these Terms, provided, however, in the event Wells Fargo were to become subject to a proceeding under a U.S. Special Resolution Regime, the transfer of these Terms (and any interest and obligation in or under these Terms, and any property securing these Terms) from WFSIL and or WFBNA LB will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if these Terms (and any interest and obligation in or under, and any property securing these Terms) were governed by the laws of the United States or a state of the United States."

For purposes hereof, "U.S. Special Resolution Regime" means the Federal Deposit Insurance Act (12 U.S.C. 1811-1835a) and regulations promulgated thereunder and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5381-5394) and regulations promulgated thereunder.

### **31. Judgment Currency**

- 31.1 If, under any applicable law and whether pursuant to a judgment or to your insolvency, liquidation, bankruptcy or otherwise, any payment obligation owing by you under these Terms to be satisfied in a currency ("**the Other Currency**") other than the currency ("**the Original Currency**") in which such payment obligation is due, then, to the extent that any amount in the Other Currency actually received by us (when converted into the Original Currency at the relevant rate of exchange on the relevant date) falls short of the amount due under these Terms, you will, as a separate and independent obligation, indemnify us and hold us harmless against the amount of such shortfall.
- 31.2 For the purposes of section 31.1 above, the "relevant rate of exchange" is the rate of exchange reasonably determined by us and the "relevant date" is the date of payment, or if, in the case of insolvency, liquidation or bankruptcy or for any other reason, conversion on the date of payment is not permitted by applicable law, the nearest date to the date of payment which is permitted.

### **32. Third Party Rights**

Unless any provision is expressed to apply to any third party, including, without limitation, any agent, it is not intended that any term or condition of these Terms should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to and subject to these Terms. These Terms may be terminated or amended by the parties to these Terms without the consent of any third party.

### **33. Records**

- 33.1 Our records, unless shown to be wrong, will be evidence of your dealings with us in connection with our services. You will not object to the admission of our records as evidence in any legal proceedings because such records are not originals, are not in writing or are document produced by computer. You will not rely on us to comply with your record keeping obligations, although records may be made available to you on request at our absolute discretion.
- 33.2 You agree to keep adequate records in accordance with the rules of the FCA and of any other applicable laws, rules and regulations to demonstrate the nature of the orders submitted and the time at which orders are submitted.

### **34. Notices**

- 34.1 Unless otherwise agreed, all notices, instructions and other communications to be given by one of us to the other under these Terms shall be given to the address and to the individual or department specified in the cover letter accompanying these Terms. We may also provide any such information electronically via email or via our website or online portal. Where we intend to provide such information on a website or online portal, details of such website or portal (including the web address) will be sent to you.
- 34.2 We may be required from time to time, to provide you with certain information in a "durable medium", pursuant to applicable regulation. Such information may include information relating to us and our services, the nature and risks of certain financial instruments, safeguarding of financial instruments and holding of client money, costs and associated charges and our execution policy. You specifically consent to the provision by us of such information, where not personally addressed to you (and where permitted by applicable law), by means of a website.

### **35. Governing Law**

These Terms and any dispute or claim arising out of or in connection with it or its subject matter or formation (including any non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of England and Wales and both parties hereby submit to the exclusive jurisdiction of the courts of England and Wales in relation to any dispute under or in respect of these Terms (provided that this shall not prevent us from bringing an action in the courts of any other jurisdiction).

**SCHEDULE 1**  
**OTC DERIVATIVES AND SECURITIES TRANSACTIONS**

**1. OTC Derivatives and Securities Transactions Services**

Where applicable, WFSIL ("we") will provide services to you in transactions involving the following instruments ("**OTC Derivatives and Securities Transactions**"):

- (i) debt securities including, but not limited to, government bonds, public agency bonds, high grade corporate bonds, high yield bonds, convertible bonds, asset-backed securities, commercial mortgage-backed securities, residential mortgage-backed securities, collateralised debt obligations and principal-protected notes;
- (ii) equity securities including, but not limited to, ordinary shares, preference shares and warrants;
- (iii) over-the-counter forward contracts, repurchase agreements, foreign exchange forward and swap contracts; currency swaps; cross-currency interest rate swaps; currency options; forward rate agreements; interest rate swaps; interest rate options; interest rate caps; interest rate floors; interest rate collars; interest rate basis swaps; credit derivatives; equity derivatives (including, but not limited to, any contract, agreement, warrant, note, option, forward or swap); any similar contracts, agreements and transactions, whether for physical delivery or cash settlement; any combinations of, and any options on or relating to, any of the foregoing (but excluding any spot contract); and
- (iv) units in regulated and unregulated collective investment schemes.

**SCHEDULE 2  
FIXED INCOME TRANSACTIONS**

**1. Fixed Income Transaction Services**

Where applicable, WFSIL ("we") will provide services to you in transactions involving the following instruments ("**Fixed Income Transactions**"):

- (i) equities quoted in North America;
- (ii) debentures, loan stock, convertible bonds, notes, or other debt instruments including government, public agency, municipal and corporate issues;
- (iii) warrants to subscribe for investments falling within (i) and (ii) above; and
- (iv) options whether on any other investment on this list or an option on an index.

**SCHEDULE 3**  
**PRODUCT AND SERVICES**  
**RISK DISCLOSURES FOR PROFESSIONAL CLIENTS**

**PART I: INTRODUCTION**

This Schedule of Product and Service Risk Disclosures is for use by professional clients of the following Wells Fargo companies only and must not be relied on by anyone else. The companies are:

Wells Fargo Bank, National Association, London Branch ("**WFBNA LB**") and Wells Fargo Securities International Limited ("**WFSIL**"), these companies being referred to collectively or, as the context may require, individually, as "**Wells Fargo**". This Schedule of Product and Service Risk Disclosures cannot disclose all the risks and other significant aspects of the products you may purchase, sell or subscribe for from or through us ("**products**"), but is intended to give you information on and a warning of the risks associated with them so that you are reasonably able to understand the nature and risks of the services and of the specific types of investment being offered and, consequently, to take investment decisions on an informed basis. You should also read any product/transaction specific disclosures that may be included in any product/transaction specific documentation provided to you.

All defined terms used herein shall have the meaning given in the Terms of Business (the "**Terms**"), unless specified otherwise.

You must not rely on the guidance contained in this Schedule of Product and Service Risk Disclosures as investment advice based on your personal circumstances, nor as a recommendation to enter into any of the services or invest in any of the products listed below. Where you are unclear as to the meaning of any of the disclosures or warnings described below, we would strongly recommend that you seek independent legal or financial advice.

You should not deal in these or any other products unless you understand the nature of the contract you are entering into and the extent of your exposure to risk. You should also be satisfied that the product and/or service is suitable for you in light of your circumstances and financial position and, where necessary, you should seek appropriate independent advice in advance of any investment decisions.

Risk factors may occur simultaneously and/or may compound each other resulting in an unpredictable effect on the value of any investment. In any of the situations described below, the use of leverage (which has the effect of magnifying potential positive or negative outcomes) may significantly increase the impact on you of any of the risks described.

All financial products carry a certain degree of risk and even low risk investment strategies contain an element of uncertainty. The types of risk that might be of concern will depend on various matters, including how the instrument is created, structured or drafted. The specific risks of a particular product or transaction will depend upon the terms of the product or transaction and the particular circumstances of, and relationships between, the relevant parties involved in such product or transaction. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments or become involved in any financial products you should be aware of the guidance set out below:

**PART II: PRODUCTS AND INVESTMENTS**

Set out below is an outline of the major categories of risk that may be associated with certain generic types of financial instruments, which should be read in conjunction with Parts III and IV.

## 1. SHARES AND OTHER TYPES OF EQUITY INSTRUMENTS

### 1.1 General

A risk with an equity investment is that the company must both grow in value and, if it elects to pay dividends to its shareholders, make adequate dividend payments, or the share price may fall. If the share price falls, the company, if listed or traded on-exchange, may then find it difficult to raise further capital to finance the business, and the company's performance may deteriorate vis à vis its competitors, leading to further reductions in the share price. Ultimately the company may become vulnerable to a takeover or may fail.

Shares have exposure to all the major risk types referred to in Part III below. In addition, there is a risk that there could be volatility or problems in the sector that the company is in. If the company is private, i.e. not listed or traded on an exchange, or is listed but only traded infrequently, there may also be liquidity risk, whereby shares could become very difficult to dispose of.

### 1.2 Ordinary shares

Ordinary shares are issued by limited liability companies as the primary means of raising risk capital. The issuer has no obligation to repay the original cost of the share, or the capital, to the shareholder until the issuer is wound up (in other words, the issuer company ceases to exist). In return for the capital investment in the share, the issuer may make discretionary dividend payments to shareholders which could take the form of cash or additional shares. Ordinary shares usually carry a right to vote at general meetings of the issuer.

There is no guaranteed return on an investment in ordinary shares for the reasons set out in 1.1 above, and in a liquidation of the issuer, ordinary shareholders are amongst the last with a right to repayment of capital and any surplus funds of the issuer, which could lead to a loss of a substantial proportion, or all, of the original investment.

### 1.3 Preference shares

Unlike ordinary shares, preference shares give shareholders the right to a fixed dividend the calculation of which is not based on the success of the issuer company. They therefore tend to be a less risky form of investment than ordinary shares.

Preference shares do not usually give shareholders the right to vote at general meetings of the issuer, but shareholders will have a greater preference to any surplus funds of the issuer than ordinary shareholders, should the issuer go into liquidation. There is still a risk that you may lose all or part of your capital.

### 1.4 Depositary Receipts

Depositary Receipts (ADRs, GDRs, etc.) are negotiable certificates, typically issued by a bank, which represent a specific number of shares in a company, traded on a stock exchange which is local or overseas to the issuer of the receipt. They may facilitate investment in the companies due to the widespread availability of price information, lower transaction costs and timely dividend distributions. The risks involved relate both to the underlying share (see 1.1 – 1.3 above) and to the bank issuing the receipt. In addition, there are important differences between the rights of holders of ADRs and GDRs, (together, "**Depositary Receipts**") and the rights of holders of the shares of the underlying share issuer represented by such Depositary Receipts. The relevant deposit agreement for the Depositary Receipt sets out the rights and responsibilities of the depositary (being the issuer of the Depositary Receipt), the underlying share issuer and holders of the Depositary Receipt which may be different from the rights of holders of the underlying shares. For example, the underlying share issuer may make distributions in respect of its underlying shares that are not passed on to the holders

of its Depositary Receipts. Any such differences between the rights of holders of the Depositary Receipts and holders of the underlying shares of the underlying share issuer may be significant and may materially and adversely affect the value of the relevant instruments. Depositary Receipts representing underlying shares in a foreign jurisdiction (in particular an emerging market jurisdiction) also involve risks associated with the securities markets in such jurisdictions, which, along with other factors such as the performance of the underlying shares, could affect the value and liquidity of the Depositary Receipts. AS the legal owner of the shares underlying the Depositary Receipts is a bank, in the event that the bank becomes insolvent it is possible that a purchaser of any such Depositary Receipts may lose its rights in respect of the underlying shares.

## 2. **WARRANTS**

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 could result in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile.

The right to subscribe for any of the investment products listed in 1 above or 3 or 4 below which a warrant confers, is invariably limited in time, with the consequence that if the investor fails to exercise this right within the pre-determined time-scale, the investment becomes worthless.

If subscription rights are exercised, the warrant holder may be required to pay to the issuer additional sums (which may be at or near the value of the underlying assets). Exercise of the warrant will give the warrant holder all the rights and risks of ownership of the underlying investment product.

A warrant is potentially subject to all of the major risk types referred to in Part III below, including the risk of the issuer's insolvency.

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.

Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a covered warrant). For these instruments, see 6.3 below.

## 3. **MONEY-MARKET INSTRUMENTS**

A money-market instrument is a borrowing of cash for a period, generally no longer than six months, but occasionally up to one year, in which the lender takes a deposit from the money markets in order to lend (or advance) it to the borrower. Unlike in an overdraft, the borrower must specify the exact amount and the period for which he wishes to borrow. Like other debt instruments (see 4 below), money-market instruments may be exposed to the major risk types in Part III below, in particular credit and interest rate risk.

## 4. **DEBT INSTRUMENTS/BONDS/DEBENTURES**

All debt instruments are potentially exposed to the major risk types in Part III below, in particular credit risk and interest rate risk.

Debt securities may be subject to the risk of the issuer's inability to meet principal and /or interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, general market liquidity, and other economic factors, amongst other issues. When interest rates rise, the value of corporate debt securities can be expected to



decline. Fixed-rate transferable debt securities with longer maturities/lower coupons tend to be more sensitive to interest rate movements than those with shorter maturities/higher coupons.

Debt securities issued by banks, certain other financial services firms and, in some cases, their parents and other affiliates may be vulnerable to "bail-in" or equivalent measures, where the issuer (or an affiliated bank or firm) undergoes a resolution (or bank rescue) procedure. In a bail-in, a governmental or other regulatory body (known in the UK as a "resolution authority") may require investors' rights under such securities to be written-off in whole or part, or converted into equity. The purpose of such bail-in is to prevent the bank (or other firm) from entering into insolvency proceedings: and will therefore precede formal insolvency. This means that the holders of bank and related debt securities may lose some or all of their investment, where the issuer is in financial difficulty, even outside of an insolvency scenario and absent the technical default of the issuer.

However, depending on the applicable regulatory regime, certain safeguards or exclusions may operate so as to protect, or mitigate the loss to, such investors. For example, under the Banking Act 2009 and the Banking Act 2009 (Restriction of Special Bail-in Provision, etc.) Order 2014, secured creditors (including secured bond holders) are protected from bail-in (but only to the extent of the value of the collateral/security) and, in principle, no such creditor should be put in a worse position than they would have been in the event of the formal insolvency of the issuer.

## **5. UNITS IN COLLECTIVE INVESTMENT SCHEMES**

Collective investment schemes and their underlying assets are potentially exposed to all of the major risk types referred to in Part III below, including insolvency risk relating to the issuer of the underlying assets.

There are many different types of collective investment schemes. Generally, a collective investment scheme will involve an arrangement that enables a number of investors to 'pool' their assets and have these professionally managed by an independent manager. Investments may typically include gilts, bonds and quoted equities, but depending on the type of scheme, may go wider into derivatives, real estate or any other asset. There may be risks on the underlying assets held by the scheme and investors are advised, therefore, to check whether the scheme holds a number of different assets, thus spreading its risk. Subject to this, investment in such schemes may reduce risk by spreading the investor's investment more widely than may have been possible if he or she was to invest in the assets directly.

The reduction in risk may be achieved because the wide range of investments held in a collective investment scheme can reduce the effect that a change in the value of any one investment may have on the overall performance of the portfolio. Although, therefore, seen as a way to spread risks, the portfolio price can fall as well as rise and, depending on the investment decisions made, a collective investment scheme may be exposed to many different major risk types.

The valuation of a collective investment scheme is generally controlled by the relevant fund manager or the investment adviser (as the case may be) of the collective investment scheme. Valuations are performed in accordance with the terms and conditions governing the collective investment scheme. Such valuations may be based upon the unaudited financial records of the collective investment scheme and any accounts pertaining thereto. Such valuations may be preliminary calculations of the net asset values of the collective investment schemes and accounts. The collective investment scheme may hold a significant number of investments which are illiquid or otherwise not actively traded and in respect of which reliable prices may be difficult to obtain. In consequence, the relevant fund manager or the investment adviser may vary certain quotations for such investments held by the collective investment scheme

in order to reflect its judgement as to the fair value thereof. Therefore, valuations may be subject to subsequent adjustments upward or downward. Uncertainties as to the valuation of the collective investment scheme assets and/or accounts may have an adverse effect on the net asset value of the relevant collective investment scheme where such judgements regarding valuations prove to be incorrect.

A collective investment scheme and any collective investment scheme components in which it may invest may utilise (inter alia) strategies such as short-selling, leverage, securities lending and borrowing, investment in sub-investment grade or non-readily realisable investments, uncovered options transactions, options and futures transactions and foreign exchange transactions and the use of concentrated portfolios, each of which could, in certain circumstances, magnify adverse market developments and losses. Collective investment schemes, and any collective investment scheme components in which it may invest, may make investments in markets that are volatile and/or illiquid and it may be difficult or costly for positions therein to be opened or liquidated. The performance of each collective investment scheme and any collective investment scheme component in which it may invest is dependent on the performance of the collective investment scheme managers in selecting collective investment scheme components and the management of the relevant component in respect of the collective investment scheme components.

In addition, the opportunities to realise an investment in a collective investment scheme is often limited in accordance with the terms and conditions applicable to the scheme and subject to long periods of advance notice (during which the price at which interests may be redeemed may fluctuate or move against you). There may be no secondary market in the collective investment scheme and therefore an investment in such a scheme may be (highly) illiquid.

## **6. DERIVATIVES, INCLUDING OPTIONS, FUTURES, SWAPS, FORWARD RATE AGREEMENTS, DERIVATIVE INSTRUMENTS FOR THE TRANSFER OF CREDIT RISK, FINANCIAL CONTRACTS FOR DIFFERENCES**

The risks set out in 6.1- 6.5 below may arise in connection with all types of derivative contract, whether it is in the form of a listed instrument, an OTC instrument, or a securitised product such as a note or a certificate.

### **6.1 Derivatives Generally**

A derivative is a financial instrument, the value of which is derived from an underlying asset's value. Rather than trade or exchange the asset itself, an agreement is entered into to exchange money, assets or some other value at some future date based on the underlying asset. A premium may also be payable to acquire the derivative instrument.

There are many types of derivative, but options, futures and swaps are among the most common. An investor in derivatives often assumes a high level of risk, and therefore investments in derivatives should be made with caution, especially for less experienced investors or investors with a limited amount of capital to invest.

Derivative instruments have a limited life, and may (unless there is some form of guaranteed return to the amount invested in the product) expire worthless if the underlying asset does not perform as expected. If a derivative transaction is particularly large or if the relevant market is illiquid (as may be the case with many privately negotiated off-exchange derivatives where there is no exchange market on which to close out an open position), it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

On-exchange derivatives are subject, in addition, to the risks of exchange trading generally, including potentially the requirement to provide margin. Off-exchange derivatives may take the form of unlisted transferable securities or bi-lateral "over the

counter" contracts ("**OTC**"). Although these forms of derivatives may be traded differently, both arrangements may be subject to credit risk of the issuer (if transferable securities) or the counterparty (if OTCs) and, like any contract, are subject also to the particular terms of the contract (whether a one-off transferable security or OTC, or a master agreement), as well as the risks identified in Part III below. In particular, with an OTC contract, the counterparty may not be bound to "close out" or liquidate this position, and so it may not be possible to terminate a loss-making contract. Off-exchange derivatives are individually negotiated. As the terms of the transactions are not standardised and no centralised pricing source exists (as exists for exchange traded instruments), the transactions may be difficult to value. Different pricing formulas and financial assumptions may yield different values, and different financial institutions may quote different prices for the same transaction. In addition, the value of an off-exchange derivative will vary over time and is affected by many factors, including the remaining time until maturity, the market price, price volatility and prevailing interest rates.

Derivatives can be used for speculative purposes or as hedges to manage other investment or economic risks. In all cases the suitability of the transaction for the particular investor should be very carefully considered.

You are therefore advised to ask about the terms and conditions of the specific derivatives and associated obligations (e.g. the circumstances under which you may become obligated to make or take delivery of an underlying asset and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or Clearing House to reflect changes in the underlying asset.

Normal pricing relationships between the underlying asset and the derivative may not exist in all cases. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to assess 'fair' value.

The points set out below in relation to different types of derivative are not only applicable specifically to these derivatives but are also applicable more widely to derivatives generally. All derivatives are potentially subject to the major risk types in Part III below, especially market risk, credit risk and any specific sector risks connected with the underlying asset.

## **6.2 Futures/Forwards/Forward rate agreements**

Transactions in futures or forwards 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 and forwards 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 and forwards transactions have a contingent liability, and you should be aware of the implications of this, in particular margining requirements: these are that, on a daily basis, with all exchange-traded, and most OTC off-exchange, futures and forwards, you will have to pay over in cash losses incurred on a daily basis and if you fail to, the contract may be terminated. See further, 1 and 2 of Part IV below.

## **6.3 Options**

There are many different types of options with different characteristics subject to the following conditions.

**Put option:** a put option is an option contract that gives the holder (buyer) of the option the right to sell a certain quantity of an underlying security to the writer of the option at a specified price (the strike price) up to a specified date (the expiration date).

**Call option:** a call option is an option contract that gives the holder (buyer) the right to buy a certain quantity of an underlying security from the writer of the option, at a specified price (the strike price) up to a specified date (the expiration date).

**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 must acquire the future. This will expose you to the risks described under 'futures' and 'contingent liability investment transactions'. 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.

**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 (as explained in 6.2 above) 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 (known as 'covered call options') the risk is reduced. If you do not own the underlying asset (known as '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.

Depending on the type of option entered into, there may be increased exposure to market risk (see Part III: Generic Risk types, paragraph 4 – Market Risk below) when compared to other financial products. There are several option styles including (but not limited to) American-, European and Bermuda-style. An American-style option may be exercised at any time prior to its expiration. A European-style option may only be exercised on a specific date, its expiration date. A Bermuda-style option may be exercised on certain specified dates during the term of the transaction.

If you buy an American-style call option and the relevant market price of the underlying asset never rises above the strike price on the option (or if you fail to exercise the option while such condition exists), the option will expire unexercised and you will have lost the premium you paid for the option. Similarly, if you buy an American-style put option and the relevant market price for the underlying asset does not fall below the option strike price (or if you fail to exercise the option while such condition exists), the option will not be exercised and you will have lost the premium you paid for the put option.

Purchasing European-style or Bermuda-style options may carry additional market risk since the option could be "in-the-money" for part or substantially all of the holding period but not on the exercise date(s). A call option is "in-the-money" if the strike price is lower than the relevant market price for the underlying asset. A put option is "in-the-money" if the strike price is higher than the relevant market price for the underlying asset.

It is even possible for the holder of an exercised, "in-the-money" option to lose money on an option transaction. Such a situation exists whenever the value received under the option fails to exceed the purchaser's costs of entering into the option transaction (the premium and any other costs and expenses).

If you are a potential writer of an option, you should consider how the type of option affects the timing of your potential payment and delivery obligations thereunder. As the writer of a European-style option, the timing of any payment and delivery obligations is predictable. Absent early termination, no settlements will be necessary prior to the expiration date. As the writer of an American-style option, however, you must be certain that you are prepared to satisfy your potential payment and delivery obligations at any time during the exercise period (possibly quite soon following the sale of the option).

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.

#### **6.4 Contracts for differences**

Certain derivatives are referred to as contracts for differences. These can be options and futures on the FTSE 100 index or any other index of an exchange, as well as equity, currency and interest rate swaps, amongst others. However, unlike other futures and options (which may, depending on their terms, be settled in cash or by delivery of the underlying asset), 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 as referred to in 6.2 and 6.3 above. Transactions in contracts for differences may also have a contingent liability.

#### **6.5 Swaps**

A swap agreement is a derivative where two counterparties exchange one stream of cash flows against another stream, calculated by reference to an "underlying" (such as securities' indices, bonds currencies, interest rates or commodities, or more intangible items).

A swap agreement may also be combined with an option. Such an option may be structured in two different ways. On the one hand, "swaptions" are transactions that give the purchaser of the swaption the right, against payment of a premium, to exercise or not to exercise, until the agreed maturity date, its right to enter into a pre-agreed swap agreement. On the other hand, "caps", "floors" and "collars" enable a party, against payment or receipt of a premium, to protect itself against, or to take an exposure on, the variation on the value or level of an underlying.

A major risk of off-exchange derivatives, (including swaps) is known as counterparty risk, whereby a party is exposed to the inability of its counterparty to perform its obligations under the relevant financial instrument. For example if a party, A, wants a fixed interest rate loan and so swaps a variable rate loan with another party, B, thereby swapping payments, this will synthetically create a fixed rate for A. However, if B goes insolvent, A will lose its fixed rate and will be paying a variable rate again. If interest rates have gone up a lot, it is possible that A will struggle to repay.

The swap market has grown substantially in recent years, with a large number of banks and investment banking firms acting both as principals and as agents utilising standardised swap documentation to cover swaps trading over a broad range of underlying assets. As a result, the swap market for certain underlying assets has

become more liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap.

## 7. **STRUCTURED PRODUCTS**

Structured products, designed to fulfil a particular trading or market objective, may combine the features of two or more financial instruments such as a bond and a derivative, with derivatives tending to constitute an integral part of structured products. Structured products may involve an element of leverage, so a relatively small movement in the value of the relevant underlying asset or index can have a significant effect on the value of a structured product. Structured products are often high risk investments and investors can face the risk of losing some or all of the money invested in them.

Structured products are generally not traded on regulated markets, with investors taking the risk taken on the counterparty issuing the structure. In the absence of a recognised market for structured products, it can be difficult for investors to obtain reliable information about the value of their investments and the extent of the risks to which they are exposed; the lack of a recognised market and the customised nature of structured products may also negatively affect the liquidity of the structured product.

Further information about the specific risks associated with particular structured products may be made available to you at the time of your investment.

## 8. **FOREIGN EXCHANGE TRADING**

Engaging in foreign exchange (“fx”) trading (buying one currency in exchange for another) exposes investors to the risk of adverse changes in exchange rates. Exchange rates can be volatile and are driven by a variety of factors relating to the economies of the territories whose currencies are being traded.

The “gearing” or “leverage” often obtainable in fx trading means that a small deposit or down payment can lead to large losses as well as gains. Some fx transactions have a contingent liability, which means that investors may be liable for margin to maintain their position and losses may be sustained well in excess of the premium received. Investors may sustain a total loss of any margin they deposit to establish or maintain a position. If the market moves against an investor, it may be called upon to pay substantial additional margin at short notice to maintain the position. If an investor fails to do so within the time required, its position may be liquidated at a loss and it will be responsible for the resulting deficit.

Wells Fargo's insolvency or default, or that of any other dealers involved with your fx 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.

See the Foreign Exchange Dealing and Business Practices Disclosure (the “**FXDBP**”) available at [www.wellsfargo.com/fxdisclosure](http://www.wellsfargo.com/fxdisclosure) for additional information about the dealing and business practices of WFBNA LB and WFSIL in connection with fx transactions (as defined in the FXDBP). The FXDBP is incorporated by reference herein. In the event of conflict between the terms of the FXDBP and these Terms, the FXDBP shall control to the extent of the inconsistency if the relevant fx transaction is not otherwise subject to terms herein designed to comply with laws or regulations applicable to WFBNA LB or WFSIL (in which case, these Terms shall control to the extent of the inconsistency).

## **PART III: GENERIC RISK TYPES**

### 1. **GENERAL**

The price or value of an investment will depend on fluctuations in the financial markets outside of anyone's control. Past performance is no indicator of future performance.

The nature and extent of investment risks varies between countries and from investment to investment. These investment risks will vary with, amongst other things, the type of investment being made, including how the financial products have been created or their terms drafted, the needs and objectives of particular investors, the manner in which a particular investment is made or offered, sold or traded, the location or domicile of the issuer, the diversification or concentration in a portfolio (e.g. the amount invested in any one currency, security, country or issuer), the complexity of the transaction and the use of leverage.

The risk types set out below could have an impact on each type of investment:

## **2. LIQUIDITY**

The liquidity of an instrument is directly affected by the supply and demand for that instrument and also indirectly by other factors, including market disruptions (for example a disruption on the relevant exchange) or infrastructure issues, such as a lack of sophistication or disruption in the securities settlement process. Under certain trading conditions it may be difficult or impossible to liquidate or acquire a position. This may occur, for example, at times of rapid price movement if the price rises or falls 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 intended amounts, but market conditions may make it impossible to execute such an order at the stipulated price. In addition, unless the contract terms so provide, a party may not have to accept early termination of a contract or buy back or redeem the relevant product and there may therefore be zero liquidity in the product. In other cases, early termination, realisation or redemption may result in you receiving substantially less than you paid for the product or, in some cases, nothing at all.

## **3. CREDIT RISK**

Credit risk is the risk of loss caused by borrowers, bond obligors, guarantors, or counterparties failing to fulfil their obligations or the risk of such parties' credit quality deteriorating. Exposure to the credit risk of one or more reference entities is particularly relevant to any credit linked product such as credit linked notes, and the potential losses which may be sustained, and the frequency and likelihood of such losses occurring, when investing in credit links products may be substantially greater than when investing in an obligation of the reference entity itself.

## **4. MARKET RISK**

### **4.1 General**

The price of investments goes up and down depending on market supply and demand, investor perception and the prices of any underlying or allied investments or, indeed, sector, political and economic factors. These can be totally unpredictable.

### **4.2 Overseas markets**

Any overseas investment or investment with an overseas element can be subject to the risks of overseas markets which may involve different risks from those of the home market of the investor. In some cases the risks will be greater. The potential for profit or loss from transactions on foreign markets or in overseas denominated contracts will be affected by fluctuations in overseas exchange rates.

### **4.3 Emerging Markets**

Price volatility in emerging markets, in particular, can be extreme. Price discrepancies, low trading volumes and wide pricing spreads can be common and unpredictable movements in the market not uncommon. Additionally, as news about a country becomes available, the financial markets may react with dramatic upswings and/or downswings in prices during a very short period of time. Emerging markets generally lack the level of transparency, liquidity, efficiency, market infrastructure, legal certainty and regulation found in more developed markets. For example, these markets might not

have regulations governing market or price manipulation and insider trading or other provisions designed to "level the playing field" with respect to the availability of information and the use or misuse thereof in such markets. They may also be affected by sector, economic and political risk. It may be difficult to employ certain risk and legal uncertainty management practices for emerging markets investments, such as forward currency exchange contracts or derivatives. The impact of the imposition or removal of foreign exchange controls at any time should be considered, as well as potential difficulties in repatriation of assets. The risks associated with nationalisation or expropriation of assets, the imposition of confiscatory or punitive taxation, restrictions on investments by foreigners in an emerging market, sanctions, war and revolution should also be considered.

#### **5. CLEARING HOUSE PROTECTIONS/SETTLEMENT RISK**

On many exchanges, the performance of a transaction may be "guaranteed" by the exchange or clearing house. However, this guarantee is usually in favour of the exchange or clearing house member and cannot be enforced by the client who may, therefore, be subject to the credit and insolvency risks of the firm through whom the transaction was executed. There is, typically, no clearing house for off-exchange OTC instruments which are not traded under the rules of an exchange (although unlisted transferable securities may be cleared through a clearing house).

Settlement risk is the risk that a counterparty does not deliver the security (or its value) in accordance with the agreed terms after the other counterparty has already fulfilled its part of the agreement to so deliver. Settlement risk increases where different legs of the transaction settle in different time zones or in different settlement systems where netting is not possible. This risk is particularly acute in foreign exchange transactions and currency swap transactions.

#### **6. INSOLVENCY**

The insolvency or default of the firm with whom you are dealing, or of any brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent or, indeed, investments not being returned to you. There is also insolvency risk in relation to the investment itself, for example of the company that issued a bond or of the counterparty to off-exchange derivatives (where the risk relates to the derivative itself and to any collateral or margin held by the counterparty).

#### **7. CURRENCY RISK**

In respect of any foreign exchange transactions and transactions in derivatives and securities that are denominated in a currency other than that in which your account is denominated, a movement in exchange rates may have a favourable or an unfavourable effect on the gain or loss achieved on such transactions.

The weakening of a country's currency relative to a benchmark currency or the currency of your portfolio will negatively affect the value of an investment denominated in that currency. Currency valuations are linked to a host of economic, social and political factors and can fluctuate greatly, even during intra-day trading. Some countries have foreign exchange controls which may include the suspension of the ability to exchange or transfer currency, or the devaluation of the currency. Hedging can increase or decrease the exposure to any one currency, but may not eliminate completely exposure to changing currency values.

#### **8. INTEREST RATE RISK**

Interest rates can rise as well as fall. A risk with interest rates is that the relative value of a security, especially a bond, will worsen due to an interest rate increase. This could impact negatively on other products. There are additional interest rate related risks in relation to floating rate instruments and fixed rate instruments; interest income on floating rate instruments cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of floating rate instruments at the



time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the relevant instruments provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

Changes in market interest rates have a substantially stronger impact on the prices of zero coupon bonds than on the prices of ordinary bonds because the discounted issue prices are substantially below par. If market interest rates increase, zero coupon bonds can suffer higher price losses than other bonds having the same maturity and credit rating.

## 9. **REGULATORY/LEGAL RISK**

All investments could be exposed to regulatory, legal or structural risk.

Returns on all, and particularly new, investments are at risk from regulatory or legal actions and changes which can, amongst other issues, alter the profit potential of an investment. Legal changes could even have the effect that a previously acceptable investment becomes illegal. Changes to related issues such as tax may also occur and could have a large impact on profitability. Such risk is unpredictable and can depend on numerous political, economic and other factors.

For this reason, this risk is greater in emerging markets but does apply everywhere. In emerging markets, there is generally less government supervision and regulation of business and industry practices, stock exchanges and over-the-counter markets.

The type of laws and regulations with which investors are familiar in the EEA may not exist in some places, and where they do, may be subject to inconsistent or arbitrary application or interpretation and may be changed with retroactive effect. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. Judges and courts in many countries are generally inexperienced in the areas of business and corporate law. Companies are exposed to the risk that legislatures will revise established law solely in response to economic or political pressure or popular discontent. There is no guarantee that an overseas investor would obtain a satisfactory remedy in local courts in case of a breach of local laws or regulations or a dispute over ownership of assets. An investor may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in overseas courts.

## 10. **OPERATIONAL RISK**

Operational risk, such as breakdowns or malfunctioning of essential systems and controls, including IT systems, can impact on all financial products. Business risk, especially the risk that the business is run incompetently or poorly, could also impact on shareholders of, or investors in, such a business. Personnel and organisational changes can severely affect such risks and, in general, operational risk may not be apparent from outside the organisation.

## 11. **CONFLICTS**

In the ordinary course of their respective businesses, the individual companies defined above as "**Wells Fargo**", and any of its or their Affiliates, will be subject to various actual and potential conflicts of interest which may operate against your interests.

## **PART IV: TRANSACTION AND SERVICE RISKS**

### **1. CONTINGENT LIABILITY INVESTMENT 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 your firm to establish or 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 must 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.

### **2. COLLATERAL**

If you deposit collateral as security with a firm, the way in which it will be treated will vary according to the type of transaction and where it is traded and the terms of any product contract you have entered into with us. There could be significant differences in the treatment of your collateral, depending on whether you are trading on a regulated market (see 4 below), with the rules of that exchange (and the associated clearing house) applying, or trading on another exchange or, indeed, 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 the firm how your collateral will be dealt with.

#### **2.1 Effect of absolute title transfer**

Where your collateral is subject to total title transfer to us, you should note that:

- (a) The assets cease to be your assets and you will no longer have a proprietary claim over them. They will not be held subject to the rules of the FCA's Client Assets Sourcebook or of another applicable regulator in safe custody (where they are financial instruments) or subject to FCA's Client Money Rules or other applicable client money protection (where they are cash). The assets become our assets and we can deal with them in our own right;
- (b) You will have an unsecured contractual claim against us for re-transfer of equivalent assets; and
- (c) As a result, the assets will not be subject to a trust or otherwise insulated in our insolvency. And, in such event, you may not receive back everything so transferred to us and you will only rank as a general creditor. The FCA's Client Money Distribution Rules which are set out in the CASS 7A of the FCA Handbook ("**Client Money Distribution Rules**") will not apply to these assets where they are cash and you will not be entitled to share in any distribution under the Client Money Distribution Rules.

### **3. SHORT SALES**

Selling "short" means to sell financial instruments that you do not own at the time of the sale. The seller has an obligation to deliver the product sold at the settlement date which will generally be a few days later than the trade date, so he will either go into the market to buy the relevant financial instruments for delivery or he will "borrow" the relevant financial instruments under a stock lending arrangement (for further detail on this see 10 below).

Short selling is a technique used by investors who want to try to profit from the falling price of a financial instrument. If the price of the financial instrument drops after the investor has sold short (in other words at the time when he is buying or borrowing the relevant financial instruments for delivery), the investor will make a profit. If however the price of the financial instrument rises after the investor has sold short, the investor will have automatically made a loss, and the loss has the potential to get bigger and bigger if the price of the financial instrument continues to rise before the investor has gone into the market to buy or borrow the financial instrument to settle the short sale.

#### **4. OFF-EXCHANGE TRANSACTIONS**

FCA has categorised certain exchanges as recognised or designated investment exchanges. A list of these exchanges can be found on the FCA website. Transactions which are traded elsewhere may be exposed to substantially greater risks.

#### **5. LIMITED LIABILITY TRANSACTIONS**

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

#### **6. COMMISSIONS/TRANSACTION COSTS**

Before you begin to trade, you should obtain details of all commissions and other charges for which you must be liable.

When products are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the products. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional domestic or foreign parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, you must take into account that you may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of products (direct costs), you must also take into account any follow-up costs (such as custody fees). You should inform yourself about any additional costs incurred in connection with the purchase, custody or sale of an investment before investing. The effect of transaction costs (for example on a new issue of securities) may result in the issue price of such securities falling below the market value when trading starts.

#### **7. SUSPENSIONS OF TRADING AND GREY MARKET INVESTMENTS**

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

Transactions may not be entered into in:

- (a) A security whose listing on an exchange is suspended, or the listing of or dealings in which have been discontinued, or which is subject to an exchange announcement suspending or prohibiting dealings; or
- (b) A grey market security, which is a security for which application has been made for listing or admission to dealings on an exchange where the security's listing or admission has not yet taken place (otherwise than because the application has been rejected) and the security is not already listed or admitted to dealings on another exchange.

There may be insufficient published information on which to base a decision to buy or sell such securities.

## 8. CASH AND PROPERTY

You should familiarise yourself with the protections accorded to you in respect of money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy.

Where we provide safe custody services for you or where we hold money for you as client money, your securities or client money may be held by a third party on our behalf, including banks, OTC counterparties, settlement agents, intermediate brokers, Exchanges, Clearing Systems, sub-custodians, CSDs, depositories, agents and nominees (each a "**Third Party**"). Except as specifically provided in the Terms, Wells Fargo will not be liable for any acts or omissions of any Third Party.

Where your property or client money is held overseas, there may be different legal and regulatory requirements from those applying in the UK and your rights to the property or money may differ from those you would have in the UK.

In the event of insolvency or default of a Third Party, you may not recover all of your property or money. In some jurisdictions compensation schemes may offer protections in connection with investments to certain types of claimants in the event that they suffer a financial loss as a consequence of a person being unable to meet its liabilities. The protections available may be different from the protections afforded to clients under the UK's Financial Services Compensation Scheme and the compensation schemes may also have different rules governing qualification for compensation, limits to the level of protection provided and procedures and time limits for making claims for compensation. In some cases overseas compensation schemes may prioritise local investors over non-local investors.

We will, where possible, direct that your property that is deposited with a Third Party is identifiable separately from our property and from those belonging to that Third Party (for instance, by differently titled accounts or other equivalent measures that achieve the same level of protection). However, in some jurisdictions it may not be possible under national law for your property to be separately identifiable from our assets or those of the Third Party. In these circumstances, there is a risk that your property could be withdrawn or used to meet the obligations of the Third Party or lost altogether if the Third Party fails. On our failure (i.e. the appointment of a liquidator, receiver or administrator, or trustee in bankruptcy, or any equivalent procedure in any relevant jurisdiction), your property may not be protected from claims made on behalf of our general creditors, the Third Party may challenge your rights to any property and you may need to share in a shortfall.

Although property will ordinarily be registered in the name of a nominee, we may from time to time (if the property is subject to the law or market practice of a jurisdiction outside the UK and it is in your best interests to register in that way or it is not feasible to do otherwise because of the nature of the applicable law or market practice) register or record securities in the name of a Third Party or in our own name. If property is registered in our name, the property in question may not be segregated from our

property and in the event of our failure (i.e. the appointment of a liquidator, receiver or administrator or trustee in bankruptcy, or any equivalent procedure in the jurisdiction in question), your property may not be protected from claims made on behalf of our general creditors.

Your property may be held in an omnibus account by a Third Party. Property that is held in an omnibus account may be pooled or co-mingled with property belonging to our other clients or clients of the Third Party. There is a risk that the property could be withdrawn to meet the obligations of other clients, or that the balance of property does not reconcile with the quantity that we or the Third Party is required to hold. In the event of a shortfall, you may share in that shortfall and as a result may not receive your full entitlement of property.

## **9. STABILISATION**

Transactions may be carried out in securities 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. Regulations allow stabilisation in order to help counter the fact that, when a new issue comes on to 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:

- (a) Limit the period when a stabilising manager may stabilise a new issue;
- (b) Fix the price at which he may stabilise (in the case of shares and warrants but not bonds); and
- (c) Require him 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, nor of the price at which they are prepared to buy the securities.

## **10. NON-READILY REALISABLE INVESTMENTS**

Both exchange listed and traded and off-exchange investments may be non-readily realisable. These are investments in which the market is limited or could become so. Accordingly, it may be difficult to assess their market value and/or to liquidate your position.

## **11. STOCK LENDING/REPOS**

The effect of lending (or 'repo'ing') securities to a third party is to transfer title to them to the borrower (or repo purchaser) for the period that they are lent (or 'repo'ed'). At the end of the period, subject to default of the borrower (or 'repo' purchaser), the lender (or 'repo' seller) receives back securities of the same issuer and type. The borrower's (or 'repo' purchaser's) obligation to transfer equivalent securities is secured against collateral (which is usually transferred by a title transfer mechanism pursuant to market standard agreements). There is, accordingly, credit risk. Lending (or 'repo'ing') securities may affect your tax position.



## 12. **STRATEGIES**

Particular investment strategies will carry their own particular risks. For example, certain strategies, such as 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position.