RISK DISCLOSURE RELATING TO TITLE TRANSFER FINANCIAL COLLATERAL ARRANGEMENTS AND SAFEKEEPING OF FINANCIAL INSTRUMENTS AND OTHER CUSTODY ASSETS

This disclosure should be read together with the Terms of Business, the Client Money Module and any Associated Agreement entered into between you and CITIC Securities (UK) ("we", "us" or "our").

Unless otherwise agreed in writing or required by Applicable Regulations, collateral and margin provided to us in connection with Transactions will be provided pursuant to a title transfer financial collateral arrangement.

Where collateral is transferred to us on this basis, full ownership of the relevant money and financial instruments passes to us, and such money and financial instruments will cease to constitute Client Money or Custody Assets for the purposes of Applicable Regulations.

Unless we and you expressly agree otherwise in writing pursuant to an Associated Agreement, we do not provide custody or safekeeping services and do not generally hold financial instruments as Custody Assets on your behalf. Accordingly, Section 2 of this disclosure applies only where custody or safekeeping services are separately agreed or where assets are otherwise held by us as Custody Assets in accordance with Applicable Regulations.

1. TITLE TRANSFER FINANCIAL COLLATERAL ARRANGEMENTS

1.1 Disclosure of risks
As part of our clearing, execution and related services, money and financial instruments provided to us as margin or collateral will be transferred to us pursuant to a title transfer financial collateral arrangement, unless otherwise agreed in writing or required by Applicable Regulations.

Where collateral is transferred to us on this basis, full ownership of the relevant collateral passes to us and the risks described in this Section apply.

(a) Loss of proprietary rights
Any rights, including any proprietary or ownership rights, that you may otherwise have had in respect of the relevant money or financial instruments will be transferred to us and replaced by an unsecured contractual claim for the return of equivalent money or financial instruments, subject to the terms of the relevant collateral arrangement.

(b) Insolvency risk
Money or financial instruments transferred to us pursuant to a title transfer financial collateral arrangement cease to constitute Client Money or Custody Assets for the purposes of Applicable Regulations and will not be protected by the Client Money Rules or custody rules. Accordingly, in the event of our insolvency, administration, resolution or default:

(i) you will have only an unsecured claim against us for the return of equivalent money or financial instruments;
(ii) such claim will rank in accordance with applicable insolvency law and may be subject to any netting, set-off or similar rights available to us under the relevant agreement or applicable law; and
(iii) you may not recover the full value of the money or financial instruments originally transferred to us.
For the avoidance of doubt, money transferred to us under a title transfer financial collateral arrangement does not constitute Client Money and financial instruments transferred to us under such an arrangement do not constitute Custody Assets.

(c) Resolution and recovery measures
Where a resolution authority exercises its powers under any applicable recovery or resolution regime in relation to us:

(i) any rights you may have to terminate an agreement with us or enforce claims against us may be suspended or restricted;
(ii) your claim for the return of money or financial instruments may be reduced, cancelled or converted into equity or other instruments; and
(iii) assets, liabilities or contractual relationships may be transferred to another entity, subject to protections available under applicable law.

(d) Tax consequences
The provision of collateral to us under a title transfer arrangement, our use of such collateral and the return of equivalent money or financial instruments may give rise to tax consequences which differ from those that would otherwise apply if the money or financial instruments were held by you directly or by us on your behalf.
You are responsible for obtaining your own independent tax advice regarding such consequences.

(e) Use of collateral
Because ownership of collateral transfers to us under a title transfer financial collateral arrangement, we may use, transfer, pledge, re-pledge, rehypothecate, sell, lend or otherwise deal with such money or financial instruments as our own property, subject to Applicable Regulations and the terms of the relevant agreement.
For the avoidance of doubt, where we transfer collateral received from you to a CCP, clearing broker, settlement system or other market infrastructure in connection with clearing services, such collateral may be subject to the rules, segregation arrangements, default procedures and insolvency protections applicable to that CCP, clearing broker, settlement system or other market infrastructure.

2. SAFEKEEPING OF FINANCIAL INSTRUMENTS AND OTHER CUSTODY ASSETS

2.1 Use of third parties
Where we separately agree to provide custody or safekeeping services, or otherwise hold Custody Assets, Warrants, documents of title or other assets on your behalf in accordance with Applicable Regulations, the following risks will apply.

Where we provide custody or safekeeping services, we may deposit Custody Assets, Warrants, documents of title or other assets and any associated cash with one or more third parties, including custodians, sub-custodians, depositories, settlement systems or other intermediaries, whether in the United Kingdom or elsewhere.

The legal and regulatory regime applicable to any such third party may differ from that of the United Kingdom and your rights in relation to those Custody Assets may differ accordingly. Where Custody Assets are held in a jurisdiction outside the United Kingdom, local laws, regulations and market practices may differ from those applicable in the United Kingdom. In particular, the rights and protections available to you in relation to those Custody Assets may be different, and in the event of insolvency, default or other failure of the relevant third party, your ability to recover such Custody Assets, or the timing of any recovery, may be adversely affected.

2.2 Third-party risk
Only where applicable and subject to separate written agreement, we exercise due skill, care and diligence in the selection, appointment and periodic review of third parties with whom Custody Assets are deposited, taking into account factors including expertise, market reputation, financial standing and applicable legal and regulatory requirements.

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Whilst we exercise due skill, care and diligence in the selection, appointment and periodic review of third parties and remain responsible for complying with our applicable regulatory obligations, Custody Assets held with a third party are subject to the risks associated with that third party. Accordingly, subject to Applicable Regulations, we shall not be liable for the insolvency, resolution, default, acts or omissions of any such third party unless such loss results directly from our fraud, wilful default or gross negligence.

Where a third-party holding Custody Assets is subject to insolvency, resolution, administration or similar proceedings in a jurisdiction outside the United Kingdom, such proceedings may be governed by local laws and procedures that differ from those applicable in the United Kingdom. As a result, your ability to recover Custody Assets, and the timing and amount of any recovery, may be adversely affected.

In the event of insolvency or any analogous proceeding relating to a third party with whom Custody Assets are deposited:
(a) you and other clients whose assets are held with that third party may share pro rata in any shortfall; and
(b) our ability to recover assets may be delayed, reduced or otherwise adversely affected.

2.3 Omnibus accounts
Custody Assets held on your behalf may be pooled with those of other clients and held in omnibus accounts maintained by us or by a third party. A shortfall in an omnibus account may be shared among clients whose assets are held in that account.

In certain jurisdictions it may not be possible to identify separately the Custody Assets held for our clients from those held for us or for the relevant third party.

Accordingly, your rights in relation to the Custody Assets may be adversely affected and, in certain circumstances, the Custody Assets may be exposed to claims of the relevant third party's creditors.

Different segregation models may be available and may provide different levels of protection and portability in the event of insolvency.

2.4 Cash held in connection with custody services
Where custody services are separately provided pursuant to an Associated Agreement, cash held in connection with those services may be held either:
(a) as client money in accordance with the Client Money Rules; or
(b) outside the Client Money Rules, depending on the nature of the services provided and the terms of the applicable agreement.

Where cash is not held as client money, you will rank as an unsecured creditor in respect of those amounts.

2.5 Security interests, liens and rights of set-off
Subject to a separate written agreement, where Custody Assets or related cash are held by a third party, that third party may have a security interest, lien, right of set-off or similar rights over those assets to the extent permitted by Applicable Regulations and applicable law.

Where permitted by Applicable Regulations and necessary for custody, settlement or market infrastructure purposes, we may grant or permit such rights over Custody Assets or related cash held by a third party.

You acknowledge that the exercise of such rights may reduce the amount of Custody Assets or cash available to you.

2.6. No General Custody Relationship
The fact that money or financial instruments are transferred to us as margin or collateral under a title transfer financial collateral arrangement does not give rise to a custody or safekeeping relationship.

Except where expressly agreed in writing pursuant to an Associated Agreement or where otherwise required by Applicable Regulations, we do not provide custody services and do not hold financial instruments for you as Custody Assets.

3. GENERAL
3.1 Associated documentation
This disclosure should be read together with:

(a) the General Terms of Business;
(b) the Client Money Module;
(c) any Associated Agreement; and
(d) any custody, clearing or collateral agreement (where applicable) entered into between you and us.

In the event of any inconsistency between this disclosure, the Terms of Business, the Client Money Module and any Associated Agreement, the order of priority set out in the Terms of Business shall apply.

3.2 No advice
This disclosure is provided for informational and regulatory disclosure purposes only and does not constitute legal, tax, accounting, regulatory, investment or other professional advice.

You remain responsible for understanding the risks associated with title transfer collateral arrangements, client money arrangements and custody arrangements, and should obtain independent professional advice where appropriate.