COLLINS SARRI STATHAM
INVESTMENTS

COMPLEX PRODUCT & DERIVATIVE RISK WARNING LETTER

You should keep this notice for your information.

Dear Client,

This letter is provided to you, as a retail customer, in compliance with the rules of the Financial Conduct Authority (FCA). Under current FCA rules, the investment(s) you wish to deal in, warrants and/or derivate products are defined as “complex”. As a retail client, part of our obligation to you is to make you aware of the risks associated with these investment products. We are required to make sure you understand how dealing in this type of investment differs from trading “noncomplex” investments, such as shares and bonds.

This letter cannot disclose all the risks and other significant aspects of trading derivative products such as futures, options and contracts for differences. You should not deal in these products unless you understand their nature and the extent of your exposure to risk.

You should also be satisfied that the product is suitable for you in the light of your circumstances and financial position. Although warrants and/or derivative instruments can be utilised for the management of investment risk, some of these products are unsuitable for many investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should be aware of the following points.

1. Contracts for Differences (CFDs)

Futures and options contracts can also be referred to as Contracts for Differences. These can be options and futures on the FTSE 100 index or any other index, as well as an individual security, currency and interest rate swaps. However, unlike other futures and options, 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 and you should be aware of these as set out above. Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this.

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 results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile. It is essential for anyone who is considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time with the consequence that if the investor fails to exercise this right within the predetermined time-scale then the investment becomes worthless. 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.

3. Futures

Transactions in futures 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 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 transactions have a contingent liability, and you should be aware of the implications of this, in particular the margin requirements, which are set out below.

4. Options

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

4.1 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.

4.2 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 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 (when the options will be known as covered call options) the risk is reduced. If you do not own the underlying asset (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.

5. Exchange Traded Notes (ETNs)

ETNs are generally issued by banks and hold no assets. The underwriting bank agrees to pay the return of a reference benchmark (less fees) meaning that ETNs are entirely reliant on the creditworthiness of the issuing entity. ETNs are exposed to any change in the level of the underlying index, or the Volume Weighted Average Price (VWAP) level, between the inception date and the applicable valuation date. Additionally, if the level of the underlying index or the VWAP level, is insufficient to offset the negative effect of the investor fee and other applicable costs, you will lose some or all of your investment or maturity or upon redemption, even if the value of such index or the VWAP level has increased or decreased, as the case may be. Because ETNs are subject to an investor fee and other applicable costs, the return or ETNs will always be lower than the total return on a direct investment in the index components. ETNs are riskier than ordinary unsecured debt securities and have no principal protection.

6. Exchange-Traded Commodity (ETFs)

ETCs are simple and transparent open-ended securities which trade on regulated exchanges. ETC's enable investors to gain exposure to commodities without trading futures or taking physical delivery. An ETC will track commodities, such as metals, natural energy resources, agricultural produce or livestock. In some cases, an ETC will try to directly track the performance of a given commodity, in other cases an ETC will track an index that is designed to measure the value of that commodity.

ETCs are very similar to ETFs because they are both open-ended, continuously traded and have multiple market makers. The main difference is that ETCs use a secured, undated, zero coupon note structure, whereas ETFs typically use a fund structure.

7. Collateral

If you deposit collateral (shares etc.,) as security, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral. The decisions regarding this are determined by Saxo Capital Markets (UK)

Limited and not influenced by Collins Sarri Statham Investments Limited (CSSI). Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken.

8. Commission and charges

Before you begin to trade, you should be aware of all commissions and other charges for which you will be liable. Our fees and charges sheet does provide appropriate examples in cash terms. In the case when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.

9. Suspensions of trading

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. Stop-loss orders are therefore not guaranteed.

Summary

We have provided you with this letter as we want to ensure that you fully understand the risks involved in these types of products. Different investment products involve different levels of exposure to risk and in deciding whether to trade in such instruments you should be aware of the risks you are exposed to. If you wish, we can provide you with further information to help you gain a better understanding of these products. For example, we would encourage you to read our CFD and leverage guides and our brokers are always available to answer any further questions that you may have concerning these products.

As detailed above, Complex investments carry a higher degree of risk to your money. Although financial derivative products can be utilised for the management of investment risk, some of these products are unsuitable for many customers as they carry a high degree of risk. The 'gearing' or 'leverage' often obtainable in trading financial derivative products means that a small deposit or down payment can lead to large losses. It also means that a relatively small market movement can lead to a proportionately much larger movement in the value of your position, and this can work against you. Such transactions may have to be margined, and you should be aware of the implications of this. Where you enter into a financial derivative transaction, you must maintain sufficient margin on your account at all times to maintain your open positions. Your online account will enable you to monitor your margin requirement at all times. If any of your open positions are creating a loss on your account (which may or may not result in a margin call) you may be required to immediately provide additional funds to maintain your open positions. If you do not maintain sufficient margin on your account at all times and/or provide such additional funds within the time required, your open positions may be closed at a loss and you will be liable for any resulting deficit.

You should not engage in trading financial derivative products such as CFDs unless you fully understand the nature of the transactions you are entering into and the true extent of your exposure. There is a risk that your loss could exceed your initial investment. You should only take a risk with money that you can afford to lose. These types of investments may be suitable for some investors, but they are not for everyone.

Yours faithfully,

Collins Sarri Statham Investments Limited

Please answer the below questions, sign at the bottom of this document and then return the original letter in the pre-paid envelope.	Yes	No
I have previously traded the complex products (Warrants, Derivatives, products such as a Contract for Differences) that I am proposing to trade, and/ or I have attended a relevant training seminar. Please provide details of firm used or training attended.		
I fully understand the risks associated with trading the complex products I am looking to trade.		
I understand how you can make money and equally how you can lose money in these investments.		
I accept that one of the outcomes of my investment in a complex product might be that I may need to provide additional money and/or collateral if adverse market movements occur.		
I understand that complex products (such as CFDs) are high risk investments and that there are safer investments I can choose.		
I am aware of the risk management tools available to me.		
I understand that risk management tools do not guarantee the amount that I may lose but rather may help to limit my losses.		
I am aware of and understand your fees and charges and acknowledge that the more frequently I trade, the more fees and charges I will attract.		
I can afford to lose the entire amount I have invested with CSSI without it having a serious adverse effect on my lifestyle? (If you have answered no to this question then please complete Question 11 below)		
ONLY COMPLETE THIS PART IF YOU ANSWERED NO TO THE PREVIOUS QUESTION. Please provide us with a figure that, should your account value fall below this figure, you would wish CSSI to contact you and seek your confirmation regarding future trading. (NB. This is referred to as **Account Maintenance Figure (AMF)** on your Retail Client Profile**).**	£	

We ask that you sign this document to confirm to us that you understand how Complex Investments (e.g. CFDs) work (including the associated risks) and that you have been made aware of, as well as understand, our fees and charges. If you hold a joint account, both account holders will need to complete and return this form.

Print Name: _________________________________ Signature: __________________________ Date: _______________

For second name on joint accounts only: -

Print Name: _________________________________ Signature: __________________________ Date: _______________