

## Covered Warrants and Other Complex Instruments Risk Warning Notice And Appropriate Assessment

Covered Warrants and other complex instruments are derivative products for which special risks apply. We are required to make sure you understand how dealing in these types of investment differs from trading 'non-complex' investments such as most shares and unit trusts. We are therefore required to carry out an Appropriateness Assessment which requires you to provide information regarding your knowledge and experience in these products. Based on the answers you provide, if we believe the investment would not be appropriate for you, we will inform you and will not undertake the transaction.

### The Process

1. Read, and understand this risk warning notice.
2. Complete and return the Appropriateness Assessment Form

This notice is provided to you as a Retail Client, in compliance with the rules of the Financial Conduct Authority. Retail Clients are afforded greater protections under these rules than other customers. Please note that this notice cannot disclose all the risks and other significant aspects of complex investments. You should not deal in these products unless you understand the nature and extent of your exposure to risk. You need to be satisfied that the product is suitable for you having considered your circumstances and financial position. Although these products can be used 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. Warrants

A warrant is a time-limited right to subscribe for shares, debentures, and 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.

### 2. Securitised derivatives

These instruments may give you a time-limited right or absolute right to acquire or sell one or more types of investment which is normally exercisable against someone other than the issuer of that investment. Or they may give you rights under a contract for differences which allow for speculation on fluctuations in the value of the property of any description or an index, such as the FTSE 100 index. In both cases, the investment or property may be referred to as the "underlying instrument".

These instruments often involve a high degree of gearing or leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavourable or favourable, in the price of the instrument. The price of these instruments can therefore be volatile. These instruments have a limited life, and may (unless there is some form of guaranteed return to the amount you are investing in the product) expire worthless if the underlying instrument does not perform as expected.

You should only buy this product if you are prepared to sustain a total loss or substantial loss of the money you have invested plus any commission or other transaction charges. You should consider carefully whether or not this product is suitable for you in light of your circumstances and financial position, and if in any doubt please seek professional advice.

### **3. Foreign markets**

Foreign markets will involve different risks from the UK markets. In some cases the risks will be greater. On request, your firm must provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which it will accept liability for any default of a foreign firm through whom it deals. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

### **4. Commissions**

Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, 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.

### **5. 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.

### **6. Clearing house protections**

On many exchanges, the performance of a transaction by your firm (or third party with whom he is dealing on your behalf) is guaranteed by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover you, the customer, and may not protect you if your firm or another party defaults on its obligations to you.

On request, your firm must explain any protection provided to you under the clearing guarantee applicable to any on-exchange derivatives in which you are dealing. There is no clearing house for traditional options, nor normally for off-exchange instruments which are not traded under the rules of a recognised or designated investment exchange.

### **7. Insolvency**

Your firm's insolvency or default, or that of any other brokers involved with your 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. On request, your firm must provide an explanation of the extent to which it will accept liability for any insolvency of, or default by, other firms involved with your transactions.

### **Appropriateness**

Warrants and other complex instruments are derivative products for which special risks apply. Investors are required to provide information regarding their knowledge and experience in these products so as to enable an assessment whether the product is appropriate for them to be made.

The service is an execution only service. Investors must rely on their own judgement and assessment of the instrument. This must include investment merits and risks and where relevant, investors must also be able to accept the risk of the investment for the specific duration.

In order that we can be certain that those investing in covered warrants and other securitised derivatives have the required knowledge and expertise that warrants and other complex instruments are appropriate for you, you are asked to answer the following questions.

**Please complete and return the following form:**

## Complex Instrument Appropriateness Assessment Form

Please complete the form in BLOCK CAPITALS and return to : Jarvis Investment Management Limited,  
78 Mount Ephraim, Tunbridge Wells, Kent TN4 8BS

### Section 1: Your Details

Your Sharedealing Account Number

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### Section 2: Trading Experience

Which of the following have you traded in the past 12 months?

	Please Tick	Average No of Trades (monthly)	Average Amount Invested Size (£'s)
Warrants	<input type="checkbox"/>		
Securitised Derivatives	<input type="checkbox"/>		
Convertible Bonds	<input type="checkbox"/>		
Exchange Traded Commodities (ETCs)	<input type="checkbox"/>		
Nil Paid Rights	<input type="checkbox"/>		
Structured Products	<input type="checkbox"/>		

### Section 3: Assessment - please tick one answer per question

What is your attitude to risk?

Cautious

Moderate

Adventurous

How long have you been dealing on the Stock Market?

Up to 1 year

1 – 3 years

3 – 5 years

5 – 10 years

10 – 15 years

Over 15 years

Would you be prepared to lose most or all of your investment?

Yes

No

Are you fully aware of the risks of investing in securitised warrants & derivatives?

Yes

No

What is your average total dealing activity per year?

Up to 5 deals

5 – 15 deals

15 - 25

25 – 50

Over 50

Do you believe your education and/or profession are relevant in understanding the risks involved?

Yes

No

What is the approximate value of your overall investment portfolio?

Up to £5,000

£5,000 - £10,000

£10,000 - £25,000

£25,000 – 50,000

£50,000+

In percentage terms, what level of your overall portfolio will this investment represent?

Up to 1%

1% - 3%

3% - 5%

5% - 10%

10% - 20%

20%+

Do you consider yourself financially able to take on the risk that you may lose your initial capital?

Yes

No

#### Section 4: Declaration

I/we have read and understood the 'Covered Warrants and Other Complex Instruments Risk Warning Notice,' and have answered the questions to the best of my/our knowledge. I/we acknowledge that this appropriateness test is in place for my protection and confirm that the answers I/we have provided are truthful. I/we understand the risks involved in dealing in warrants and other complex instruments, and declare that I/we have sufficient knowledge about the product and am/are able to assess the merits and declare that the product is appropriate in relation to my/our investment needs and abilities. I/we also confirm that warrants and other complex instruments are suitable given my/our investment objectives and attitude to risk.

Name

Name

Signature

Signature

*If your account is in joint names, please ensure that this form is signed by both parties*

Date

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