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FSA Licence No: 480859  
MiFID Compliant

Member of Atlas Group

# Investor Information Package



**Global Gateway to  
Financial Investments**

*"We build mutual trust through understanding our clients needs, providing expert advice and our consistent commitment to quality standards."*

**Member of Atlas Group**

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## **GENERAL INFORMATION ABOUT THE COMPANY**

AtlasCapital Financial Services Limited (the “Company”) is a Cypriot Investment Firm (CIF) and is regulated in the conduct of its activities by the Cyprus Securities & Exchange Commission under licence KEPEY (CIF) 085/07.

### **I. Contact Details of the Company:**

Location:

197 Arch. Makarios Avenue,  
Gala Tower, 4th Floor,  
CY-3030 Limassol,  
CYPRUS

Telephone: (+357) 25501000

Fax: (+357) 25501050

E-mail: [info@ACFS.eu](mailto:info@ACFS.eu)

Website: [www.ACFS.eu](http://www.ACFS.eu)

Mailing Address:

P. O. Box 54293,  
CY-3722 Limassol,  
CYPRUS

### **II. Contact Details of the Cyprus Securities and Exchange Commission:**

Location:

32 Stasikratous,  
4th Floor  
1065 Nicosia,  
CYPRUS

Telephone: (+357) 22875475

Fax: (+357) 22754571

Website: [www.cysec.gov.cy](http://www.cysec.gov.cy)

Mailing Address:

P.O. Box 24996  
1306 Nicosia

CYPRUS

### III. List of Services offered by the Company

- **Investment services**

- a) Reception and transmission of orders in relation to one or more financial instruments
- b) Execution of orders on behalf of Clients
- c) Dealing on own account
- d) Portfolio management
- e) Investment advice

- **Ancillary services**

- a) Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/ collateral management.
- b) Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.
- c) Advice to undertakings on capital structure, industrial strategy and related matters and advice and service relating to mergers and to buy-out of undertakings.
- d) Foreign-exchange services where these are connected to the provision of investment services.
- e) Investment services and activities as well as Ancillary Services of the type included under Investment Services and Ancillary Services related to the underlying of the derivatives included under paragraphs e, f, g and j of Financial Instrument below where these are connected to the provision of Investment or Ancillary Services

#### f) List of Financial Instruments offered by the Company

- a) Transferable securities.
- b) Money-market instruments.

- c) Units in collective investment undertakings.
- d) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.
- e) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event).
- f) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and a Multilateral Trading Facility (MTF).
- g) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in paragraph 6 part III of the Law and not being for commercial purpose, which have the characteristics of other derivative financial instrument, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls.
- h) Derivative instruments for the transfer of credit risk.
- i) Financial contracts for differences.
- j) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowance that may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in this part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

**g) Language of Communications**

The languages in which the client may communicate with the Company and receive documents and other information from the Company are Greek and English.

## **CLIENT CATEGORISATION**

Following the implementation of the Markets in Financial Instruments Directive (MiFID) 2004/39/EC as well as the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007), AtlasCapital Financial Services Limited (the “Company”) is required to classify its Clients into one of the following three categories: Retail, Professional or Eligible Counterparty.

- A. **Retail Client** is a client who is not a Professional client nor an Eligible Counterparty.  
A Retail Client receives the highest possible level of protection as described in sections 36 (conduct of business), 38 (execution of orders on terms most favourable to the client) and 39 (handling of client orders) of the Law 144(I)/2007 including the coverage by the Investor Compensation Fund.
- B. **Professional Client** is a client who possesses the experience, knowledge and expertise to make his/her own investment decisions and properly assess the risks that he/she incurs. In order to be considered a Professional client, the client must comply with the following criteria:
- I. **Categories of clients who are eligible to be considered Professional**

The following should all be regarded as Professional clients in all investment services and activities and financial instruments:

(1) Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a Directive, entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a non-Member State:

- (a) Credit institutions
- (b) Investment firms
- (c) Other authorised or regulated financial institutions
- (d) Insurance companies

- (e) Collective investment schemes and management companies of such schemes
  - (f) Pension funds and management companies of such funds
  - (g) Commodity and commodity derivatives dealers
  - (h) Locals
  - (i) Other institutional investors
- (2) Large undertakings meeting two of the following size requirements on a company basis:
- a) balance sheet total at least EUR 20,000,000
  - b) net turnover at least EUR 40,000,000
  - c) own funds at least EUR 2,000,000
- (3) National and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations.
- (4) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

It is the responsibility of the Client, considered to be a Professional Client, to ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved.

This higher level of protection will be provided when a Client, who is considered to be a Professional Client, enters into a written agreement with the Company to the effect that it shall not be treated as a Professional Client for the purposes of the applicable conduct of business regime. Such agreement should specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

## II. Clients who may be treated as Professional on request

### II.1. *Identification criteria*

Clients other than those mentioned in section I, including public sector bodies and private individual investors, may also be allowed to waive some of the protections afforded by the conduct of business rules.

Investment firms should therefore be allowed to treat any of the above clients as Professional provided the relevant criteria and procedure mentioned below are fulfilled. These clients shall not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed in section I.

Any such waiver of the protection afforded by the standard conduct of business regime shall be considered valid only if an adequate assessment of the expertise, experience and knowledge of the client, undertaken by the investment firm, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understands fully the risks involved.

The fitness test applied to managers and directors of entities licensed under Directives in the financial field could be regarded as an example of the assessment of expertise and knowledge. In the case of small entities, the person subject to the above assessment should be the person authorised to carry out transactions on behalf of the entity.

In the course of the above assessment, as a minimum, two of the following criteria should be satisfied:

- the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters
- the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500,000
- the client works or has previously worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

## II.2. Procedure

The clients defined above may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

1. they must state in writing to the investment firm, that they wish to be treated as a Professional client, either generally or in respect of a particular investment service or transaction, or type of transaction or product,
2. the investment firm must give them a clear written warning of the protections and investor compensation rights they may lose,
3. they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

Before deciding to accept any request for waiver, investment firms must be required to take all reasonable steps to ensure that the client requesting to be treated as a Professional client meets the relevant requirements stated above.

Professional clients are responsible for keeping the investment firm informed about any change, which could affect their current categorisation. Should the investment firm become aware that the client no longer fulfils the initial criteria, which made him eligible for a professional treatment, the investment firm is entitled to take appropriate action.

- C. **Eligible Counterparty** for the purposes of the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007) is any of the following entities to which a Cypriot Investment Firm is authorised to receive and transmit orders or/and to execute orders on behalf of clients or/and to deal on own account: CIFs, the remaining IFs, credit institutions, insurance undertakings, UCITS and their management companies, pension funds and their management companies and other financial institutions authorised by a member state or regulated under community legislation or the national law of a member state, undertakings exempted from the application of the Law in accordance with paragraphs (k) and (l) of subsection (2) of section 3, national governments and their corresponding offices, including public bodies that deal with public debt, central banks and supranational organisations.

Third country entities equivalent to those categories of entities stated in paragraph C can also be recognised as Eligible Counterparties.

Investment Firms may recognise an undertaking as an Eligible Counterparty if that undertaking falls within a category of clients who are to be considered Professional clients in accordance with the first, second and third paragraph of Part A, of Annex II of the Law, excluding any category which is explicitly mentioned in Section 41(2) of the Law.

Investment Firms may also recognise as Eligible Counterparties undertakings which fall within a category of clients who are to be considered Professional clients in accordance with Part B of Annex II of the Law. In such cases, however, the undertaking concerned shall be recognised as an Eligible Counterparty only in respect of the services or transactions for which it could be treated as a Professional client.

When dealing with Eligible Counterparties, the Company is not obliged to comply, for instance with the conduct of business (section 36 of the Law), to execute orders on terms most favourable to the client (section 38 of the Law) and to ensure prompt, fair and expeditious execution of client orders, relative to other client orders or its trading interest (section 39(1) of the Law).

### **Request for Different Classification**

The Retail Client has the right to request to be classified as a Professional Client but he/she/it will be afforded a lower level of protection. The Company is not obliged to deal with him/her on this basis.

The Professional Client has the right to request the different classification of Retail Client in order to obtain a higher level of protection. The Company is not obliged to deal with the Client in this basis.

The Eligible Counterparty has the right to request a different classification of either as a Professional Client or Retail Client in order to obtain a higher level of protection. The Company is not obliged to deal with the Client on this basis.

### **General Information**

The above information is based on the Markets in Financial Instruments Directive (MiFID) 2004/39/EC as well as the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007). For more detail information you can visit the Cyprus Securities and Exchange Commission website at <http://www.cysec.gov.cy>

**INFORMATION TO CUSTOMERS OF ATLASCAPITAL FINANCIAL SERVICES  
LIMITED IN RELATION TO THE INVESTOR COMPENSATION FUND FOR  
CUSTOMERS OF CYPRIOT INVESTMENT FIRMS (CIFs)**

▪ **INVESTOR COMPENSATION FUND**

AtlasCapital Financial Services Limited is a member of the Investor Compensation Fund (the “Fund”) for customers of Cypriot Investment Firms (CIFs) and other Investment Firms (IFs) which are not credit institutions.

The Fund was established under the Investment Firms (IF) Law 2002 as amended (the “Law”) and the Establishment and Operation of an Investor Compensation Fund for customers of CIFs Regulations of 2004 (the “Regulations”) which were issued under the Law.

The Fund constitutes a private law legal entity and its administration is exercised by an Administrative Committee of five members, who are designated for a three-year term. The Fund has been operating since 30 May 2004.

▪ **COVERED SERVICES**

The Fund covers the following investment services:

1. (i) Reception and Transmission of Orders, on behalf of investors, in relation to one or more of the financial instruments,  
(ii) Execution of such orders, as listed in section (i), other than on own account.
2. Dealing in financial instruments on own account,
3. Managing of investment portfolios in accordance with mandates given by investors on a discretionary, client-by-client basis where such portfolios include one or more financial instruments,

4. Underwriting in respect of issues of one or more of the financial instruments, as well as the non-core service of
5. Safe keeping or administration in relation to one or more of the financial instruments.

The phrase financial instruments in the previous paragraph refer to:

- a) Transferable securities and shares in collective investment undertakings,
- b) Money market instruments,
- c) Financial-futures contracts, including equivalent cash-settled instruments,
- d) Forward interest-rate agreements (FRAs),
- e) Interest-rate, currency and equity swaps, and
- f) Options to acquire or dispose of any instruments described herewith, including equivalent cash-settled instruments. This category includes, in particular, currency and interest rate swaps.

▪ **COVERED CUSTOMERS**

- I. The Fund covers all customers of AtlasCapital Financial Services Limited except those who are included in the following categories of investors:
  1. The following categories of institutional and professional investors:
    - a) Investment Firms,
    - b) Legal entities associated with AtlasCapital Financial Services Limited and, in general, belonging to the same group of companies,
    - c) Banks,
    - d) Cooperative credit institutions,
    - e) Insurance companies,
    - f) Collective investment organizations in transferable securities and their management companies,
    - g) Social insurance institutions and funds,
    - h) Investors characterized by AtlasCapital Financial Services Limited as professionals, upon their request.
  2. States and supranational organizations.

3. Central, federal, confederate, regional and local administrative authorities.
4. Enterprises associated<sup>1</sup> with AtlasCapital Financial Services Limited.
5. Managerial and administrative staff of AtlasCapital Financial Services Limited.
6. Shareholders of AtlasCapital Financial Services Limited, whose participation directly or indirectly in the capital of AtlasCapital Financial Services Limited amounts to at least 5% of its share capital, or its partners who are personally liable for the obligations of AtlasCapital Financial Services Limited, as well as persons responsible for the carrying out of the financial audit of AtlasCapital Financial Services Limited as provided by the Law, such as its qualified auditors.
7. Investors having in enterprises connected with AtlasCapital Financial Services Limited and, in general, of the group of companies, to which AtlasCapital Financial Services belongs, positions or duties corresponding to the ones listed in paragraphs 5 and 6.
8. Second-degree relatives and spouses of the persons listed in paragraphs 5, 6 and 7, as well as third parties acting on behalf or with the authority of those persons.
9. Customers who file claims arising out of transactions involving individuals convicted of a criminal offence pursuant to the Prevention and Suppression of Money Laundering Activities Law or customers responsible for the financial difficulties of AtlasCapital Financial Services Limited or who have contributed to the worsening of the AtlasCapital Financial Services Limited financial situation or who have profited from these facts.
10. Investors in the form of a company, which due to its size, is not allowed to draw a summary balance sheet in accordance with the Companies Law or in accordance to the corresponding law of a Member State.

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<sup>1</sup> Associated enterprises means undertakings belonging to the same group as well as natural persons who directly or indirectly control that legal person or its parent company, holding a minimum percentage of 20% of the share capital or voting rights.

II. In the cases of paragraphs 5, 6, 7 and 8, the Fund suspends the payment of compensation and informs the interested parties accordingly, until it reaches a final decision as to whether such cases apply.

▪ **OBJECT OF THE FUND**

The object of the Fund is to secure the claims of the covered customers against the members of the Fund (i.e. AtlasCapital Financial Services Limited) by the payment of compensation for their claims arising from the covered services provided by its members, so long as failure by the member to fulfill its obligations has been ascertained. The term failure denotes the inability of AtlasCapital Financial Services Limited to:

- a) either return to its covered customers funds owed to them or funds which belong to them but are held by AtlasCapital Financial Services Limited, directly or indirectly, in the context of the provision by AtlasCapital Financial Services Limited to the said customers of covered services, and which the latter requested AtlasCapital Financial Services Limited to return, in exercising their relevant right, or
- b) hand over to the covered customers financial instruments which belong to them and which AtlasCapital Financial Services Limited holds, manages or keeps on their account, including circumstances where AtlasCapital Financial Services Limited is responsible for the administrative management of the said financial instruments.

The payment of compensation by the Fund to the customers of its members is subject to the existence of a well-founded claim by the customer against the member of the Fund.

▪ **PRECONDITIONS FOR THE INITIATION OF THE COMPENSATION PAYMENT PROCEDURE**

The Fund initiates the compensation payment procedure when at least one of the following preconditions is fulfilled:

- a) the Cyprus Securities and Exchange Commission has determined by Resolution that AtlasCapital Financial Services Limited is unable to meet such of its duties as arise from its investors-customers' claims, in connection with the covered services it has provided, as

- long as such inability is directly related to AtlasCapital Financial Services Limited financial position which has no realistic prospect of improvement in the near future, or
- b) a judicial authority has, on reasonable grounds, directly related to the financial position of AtlasCapital Financial Services Limited, made a ruling which has the effect of suspending the customers' ability to lodge claims against AtlasCapital Financial Services Limited.

Upon issuance of a decision by the Cyprus Securities and Exchange Commission or by the Court in accordance with paragraph a) or b) above respectively, on the commencement of the compensation payment procedure, the Fund publishes in at least three national newspapers an invitation to the covered customers to make their claims against AtlasCapital Financial Services Limited arising from covered services, designating the procedure for the submission of the relevant applications, the deadline for their submission and their content.

#### ▪ **COMPENSATION AMOUNT - FORMALITIES**

The amount of the compensation payable to each covered customer is calculated in accordance with the legal and contractual terms governing the relation of the covered customer with AtlasCapital Financial Services Limited, subject to the set-off rules applied for the calculations of the claims between the covered customer and AtlasCapital Financial Services Limited. The calculation of the payable compensation derives from the sum of total established claims of the covered customer against AtlasCapital Financial Services Limited, arising from all covered services provided by AtlasCapital Financial Services Limited and regardless of the number of accounts of which the customer is a beneficiary, the currency and place of provision of these services.

The valuation of the financial instruments pertaining to the compensation payable to the covered client is carried out based on their value at the day:

- a) of publication of a court ruling which has the effect of the suspending the investors ability to lodge claims against it based on reasonable grounds directly related to the financial circumstances of an Investment Firm (i.e. AtlasCapital Financial Services Limited) which has subscribed to the Fund;
- b) of publication of the decision of the Cyprus Securities and Exchange Commission that an Investment Firm, which has subscribed to the Fund, is unable to meet such of its duties as arise from its customers' claims in connection with the covered services it has provided, as

long as such inability is directly related to its financial circumstances in respect of which no realistic prospect of improvement in the near future seems foreseeable.

Insofar as the amount of the claim determined exceeds the amount of twenty thousand Euros (€20.000), the claimant receives as compensation the amount of twenty thousand Euros (€20.000).

Where the investment firm provides services to its customers through a branch situated in a third country, the maximum compensation payable to the customers of the said branch is the lump sum paid by any investor compensation scheme in operation in the said third country, without however the amount exceeding the amount of twenty thousand Euros (€20.000).

If in the third country an investor compensation scheme is not in operation, the maximum amount of payable compensation per client of the branch comes to the amount corresponding to two thousand Cyprus pounds (CYP 2.000)<sup>2</sup>.

Upon completion of the valuation, the Fund:

- a) issues minutes listing the customers of AtlasCapital Financial Services Limited who are entitled to compensation, along with the amount of money each one of them is entitled to receive and communicates it to the Cyprus Securities and Exchange Commission and AtlasCapital Financial Services Limited within five working days from its issue, and
- b) communicates to each affected customer its finding, no later than fifteen days from the issue of the minutes, determining the total compensation amount this customer is entitled to receive.

The Cyprus Securities and Exchange Commission, in order to ensure that the provisions of the legislation in force in the Republic are fulfilled during the examination of the applications and the calculation of the amount of the corresponding compensation per covered client, may:

- a) request from the Fund, AtlasCapital Financial Services Limited and the claimant to produce information and particulars,
- b) run the investigations required, implementing the relevant provision of the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Laws.

The claimant, to whom the Fund communicates the total compensation amount to which he is

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<sup>2</sup> The fixed conversion rate is equal to €1(Euro) = £0.585274 (Cyprus Pound)

entitled, in case he/she disagrees with the Fund's decision, has the right within ten days from the communication of the decision to appeal to the Cyprus Securities and Exchange Commission, justifying sufficiently his/her alleged claim.

The Fund is obliged to pay to each covered customer-claimant the compensation within three months from sending to the Cyprus Securities and Exchange Commission the minutes with the compensation beneficiaries. The payment of the compensation by the Fund is deposited to a bank account of the covered customer-claimant designated by the latter in writing to the Fund.

For any further information regarding the Fund, please contact our office at:

Phone: + 357 25501000, Fax: +357 25501050 or e-mail: [info@ACFS.eu](mailto:info@ACFS.eu)

-OR-

the offices of the Administrative Committee of the Fund, at the following address:

Administrative Committee of the Investor Compensation Fund for Customers of CIFs and other IFs  
Stasikratous 32, 4th floor

1065 Nicosia

Phone: +357 22875475,

Fax: + 357 22754675

E-mail address: [investmentfirms@cysec.gov.cy](mailto:investmentfirms@cysec.gov.cy)

## **Conflicts of Interest Policy**

### **1. Introduction**

Implementing the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007), AtlasCapital Financial Services Limited (hereinafter referred to as “AtlasCapital”) has established a Conflicts of Interest Policy (hereinafter referred to as the “Policy”) in an attempt to take all reasonable steps to identify conflicts of interest between itself, including its managers, employees and tied agents, or any person directly or indirectly linked to AtlasCapital by control and its clients or between one client and another that arise in the course of providing any investment and non-core services, or combinations thereof.

AtlasCapital maintains and operates effective organisational and administrative arrangements with a view of taking all reasonable steps designed to prevent conflicts of interest from adversely affecting the interests of its clients.

### **2. Conflicts of interest potentially detrimental to a client**

For the purposes of identifying the types of conflict of interest that arise in the course of providing investment and non-core services or a combination thereof and whose existence may damage the interests of a client, AtlasCapital takes into account, by way of minimum criteria, the question of whether AtlasCapital or a relevant person<sup>3</sup>, or a person directly or indirectly linked by control to AtlasCapital, is in any of the following situations, whether as a result of providing investment or non-core services or investment activities or otherwise:

- a) AtlasCapital or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the client;

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<sup>3</sup> ‘relevant person’ in relation to an investment firm, means any of the following: (a) a director, partner or equivalent, manager or tied agent of the firm; (b) a director, partner or equivalent, or manager of any tied agent of the firm; (c) an employee of the firm or of a tied agent of the firm, as well as any other natural person whose services are placed at the disposal and under the control of the firm or a tied agent of the firm and who is involved in the provision by the firm of investment services and activities; (d) a natural person who is directly involved in the provision of services to the investment firm or to its tied agent under an outsourcing arrangement for the purpose of the provision by the firm of investment services and activities;

- b) AtlasCapital or that person has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- c) AtlasCapital or that person has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- d) AtlasCapital or that person carries on the same business as the client;
- e) AtlasCapital or that person receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

### **3. Conflicts of interest policy**

The procedures followed and measures adopted in the Policy include such of the following as are necessary and appropriate for AtlasCapital to ensure the requisite degree of independence:

- a) effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients;
- b) the separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of AtlasCapital;
- c) the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- d) measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities;
- e) measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.

#### **4. Amendment / Review**

The AtlasCapital Investment Committee has the right to amend the current Policy at its discretion and at any time it considers is suitable and appropriate. The Investment Committee shall review and amend the current policy at least annually.

Where organisational or administrative arrangements made by AtlasCapital to manage conflicts of interest, are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, AtlasCapital shall clearly disclose the general nature and/or sources of conflicts of interest to the client before undertaking business on its behalf.

Finally, clients can obtain a conflict of interest policy from our office at:

197 Arch. Makarios Avenue  
Gala Tower, 4<sup>th</sup> Floor  
3030 Limassol, Cyprus  
Tel: + (357) 25 501000  
Fax: + (357) 25 501050  
Email: [info@ACFS.eu](mailto:info@ACFS.eu)

## **Order Execution Policy**

### **1. Introduction**

Implementing the Markets in Financial Instruments Directive (MiFID) 2004/39/EC and the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007), AtlasCapital Financial Services Limited (hereinafter referred to as “AtlasCapital”) has established its Order Execution Policy (hereinafter referred to as the “Policy”). AtlasCapital is required to set up a Policy and to take all reasonable steps to obtain the best possible result for its Retail and Professional clients, either when executing client orders or receiving and transmitting orders for execution in relation to financial instruments, or placing orders with other entities for execution that result from decisions by AtlasCapital to deal in financial instruments on behalf of the client.

### **2. Obligation to Execute Orders on Terms Most Favourable to the Client**

AtlasCapital takes all reasonable steps to obtain, when executing orders, the best possible result for its clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. Nevertheless, whenever there is a specific instruction from the client, AtlasCapital shall execute the order following the specific instruction.

### **3. Best Execution Criteria**

3.1 When executing client orders, AtlasCapital takes into account the following criteria for determining the relative importance of the factors referred in section 2:

- a) the characteristics of the client including the categorisation of the client as Retail or Professional;
- b) the characteristics of the client order;
- c) the characteristics of financial instruments that are the subject of that order;
- d) the characteristics of the execution venues to which that order can be directed.

3.2 Where AtlasCapital executes an order on behalf of a Retail client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

For the purposes of delivering best execution where there is more than one competing venue to execute an order for a financial instrument, in order to assess and compare the results for the client that would be achieved by executing the order on each of the execution venues listed in AtlasCapital's Policy as capable of executing that order, AtlasCapital's own commissions and costs for executing the order on each of the eligible execution venues shall be taken into account in that assessment.

3.3 AtlasCapital does not structure or charge its commissions in such a way as to discriminate unfairly between execution venues.

#### **4. Carrying out Portfolio Management and Reception and Transmission of Orders to Act in the Best Interests of the Client**

For the provision of Portfolio Management, AtlasCapital acts in accordance with the best interests of its clients when placing orders with other entities for execution, that results from decisions by the Investment Firm to deal in financial instruments on behalf of its client.

For the provision of the investment service of Reception and Transmission of Orders, AtlasCapital acts in accordance with the best interests of its clients when transmitting client orders to other entities for execution.

AtlasCapital takes all reasonable steps to obtain the best possible result for their clients taking into account the factors referred to in Section 2. The relative importance of these factors shall be determined by reference to the criteria set out in paragraph 3.1 and, for Retail clients, to the requirement under paragraph 3.2.

## 5. Execution Venues

AtlasCapital may place an order with, or transmit an order to other entities for execution, with whom AtlasCapital has entered into an agreement for handling orders on regulated markets, multilateral trading facilities (MTFs), systematic internalisers, market makers as well as other liquidity providers and non-EU entities performing a similar function to any of the above. In addition, AtlasCapital may place an order with, or transmit an order to other entities for any financial instrument to be executed outside a regulated market or a multi-lateral trading facility (MTF). Please note that any orders which are placed with or transmitted to other entities for execution, these entities are all regulated by their local Securities and Exchange Commission or any other relevant competent Authority. These entities should have execution arrangements that enable AtlasCapital to comply with its obligations when it places or transmits orders to that entity for execution.

Below is an indicative list of execution venues where AtlasCapital can transmit or place orders, via other entities, for execution in relation to financial instruments on behalf of the client:

### 5.1 Equities execution venues

Athens Exchange (Equities Market) - ATHEX

Cyprus Stock Exchange - XAK

New York Stock Exchange - NYSE

NASDAQ

American Stock Exchange - AMEX

Madrid Stock Exchange (Bolsa de Madrid)

Bulgarian Stock Exchange - BSE

Milan Stock Exchange (Borsa Italiana)

Frankfurt Stock Exchange

Vienna Stock Exchange - WBAG

Nordic Stock Exchange - OMX Exchanges (Copenhagen – Stockholm – Helsinki)

SWX Swiss Exchange & Virt-x

London Stock Exchange - LSE

London Stock Exchange (Alternative Investment Market) - AIM

Euronext (Amsterdam - Brussels - Lisbon - Paris)

Belgrade Stock Exchange - BELEX

Toronto Stock Exchange - TSX

Irish Stock Exchange  
Luxembourg Stock Exchange  
Oslo Stock Exchange (Oslo Bors)  
Budapest Stock Exchange - BSE  
Warsaw Stock Exchange - WSE  
Prague Stock Exchange - PSE  
Istanbul Stock Exchange - ISE  
Tokyo Stock Exchange - TSE  
Australian Securities Exchange - ASX  
Hong Kong Stock Exchange - HKEX  
Singapore Exchange - SGX

## **5.2 Derivative execution venues**

Athens Exchange (Derivatives Market) – ADEX  
Chicago Board Of Trade - CBOT  
Chicago Mercantile Exchange - CME  
European Derivatives Market - EUREX  
Euronext Liffe  
Market of Options In Paris (Le Marche De Options Negociable De Paris) - MONEP  
New York Board Of Trade - NYBOT  
New York Mercantile Exchange - NYMEX

*More information regarding AtlasCapital's execution venues can be obtained from the Company's client service department.*

AtlasCapital reserves the right to use other execution venues or to add or remove venues and third parties from time to time, when deemed appropriate in accordance with this Policy.

Please note that for some financial instruments there may only be one execution venue. When executing trades in such circumstances, AtlasCapital will presume that it has provided the best possible result in respect of these types of financial instruments.

## 6. Order Handling

When in receipt of an order to which this Policy applies, AtlasCapital will normally transmit the client's orders to other entities for execution the soonest possible, ensuring proper priority order.

Orders may at AtlasCapital's discretion be reviewed during their execution life cycle and amended, for instance by changing the choice of the entity that has selected to place or transmit orders for execution or by the amounts of order sent to any particular third party entity for execution or a combination of the two, where this is considered appropriate or desirable for best execution purposes.

AtlasCapital will normally carry out orders and other comparable client orders sequentially and promptly.

## 7. Specific Client Instructions

In circumstances where the client provides AtlasCapital with a specific instruction as to how to place an order with, or transmit an order to other entity for execution, and AtlasCapital has accepted these instructions, then AtlasCapital will place or transmit the order in accordance with those specific instructions. Where the provided instructions applies to only a part of the order, AtlasCapital will continue to apply this Policy to those aspects of the order that are not covered by the specific instructions provided by the client.

Please note that providing specific instructions for the placement or transmission of an order may prevent AtlasCapital from taking the steps that it has designed and implemented in its Policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.

## 8. Exceptional cases

In case of extraordinary, unforeseen circumstances (such as computer system failure, system unavailability at a specific execution venue) which do not permit AtlasCapital to execute orders on terms most favourable to the client and in line with its Policy, AtlasCapital will execute orders in

the most reasonable manner taking into account those factors which render compliance with its Policy impossible.

## **9. Review & Monitoring**

AtlasCapital will monitor the effectiveness of this Policy on an ongoing basis and at least annually in order to identify and implement any appropriate enhancements. In addition, AtlasCapital will regularly review whether the execution venues as described in this Policy and the chosen entities to whom AtlasCapital places or transmits orders for execution, continue to provide the best possible result for AtlasCapital clients on a consistent basis and whether need to make changes to these arrangements.

From time to time it may be necessary to make changes to this Policy. It should be noted that AtlasCapital will not notify clients separately of changes, other than substantial material changes, to this Policy and clients should therefore refer from time to time to the website of AtlasCapital at [www.ACFS.eu](http://www.ACFS.eu) for the most up to date version of this Policy and our selected venues.

## **10. Consent**

AtlasCapital is required to obtain the client's prior consent to its Policy prior to executing orders. In addition, AtlasCapital is required to obtain the client's prior express consent before executing client orders or receiving and transmitting orders for execution or placing orders with others entities for execution outside a regulated market or a multi-lateral trading facility (MTF).

AtlasCapital may obtain the above consents in the form of a general agreement. AtlasCapital will treat clients who have either received this Policy or agreed to receive this Policy electronically or via the internet and have signed a service agreement with AtlasCapital, as clients who have given consent to this Policy as well as have given consent to AtlasCapital to place an order with, or transmit an order to other entities for any financial instrument to be executed outside a regulated market or an MTF.

## 11. Definitions

**Execution venue** - means a regulated market, an MTF, a systematic internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.

**MiFID** - means the Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments and any implementing directives and regulations.

**Multilateral trading facility (MTF)** - means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments - in the system and in accordance with non-discretionary rules - in a way that results in a contract in accordance with the provisions of Title II of MiFID.

**Order** - means an instruction to buy or sell a financial instrument that is accepted by AtlasCapital for execution (if applicable) or transmission to a third party.

**Regulated market** - means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its nondiscretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of MiFID.

**Systematic internaliser** - means an investment firm which, on an organised, frequent and systematic basis, deals on own account by executing client orders outside a regulated market or an MTF.

## **GENERAL INFORMATION ABOUT FINANCIAL AND OTHER INSTRUMENTS AND THEIR PARTICULAR RISKS**

### **A. General Investment Risks**

AtlasCapital Financial Services Limited (hereinafter referred to as the “Company”) has listed various risks that an investor may be exposed to by investing in financial instruments.

**Systematic Risk** – sometimes is referred as “market risk” or “non-diversifiable risk”. It reflects the extent to which the return of the security varies in response to, or in association with, variations in the overall market returns. Systematic risks are uncertain events that affect the entire securities market and the entire economy. It is the risk inherent in an investment related to movements in the overall market that cannot be diversified away.

**Unsystematic Risk** – sometimes is referred as “diversifiable risk” or “unique risk”. It is the risk of an investment that is random in nature. It is not related to general market movements. It may represent the risk associated with the specific security such as its financial results, sudden strike by employees, e.t.c. This risk may generally be diversified away in a well constructed portfolio.

**Country Risk** – also called “political risk”. It is the specific risk that an international investor bears because of the political or economic conditions of the country he/she invested. This is one of the major reasons that some developing world countries do not receive foreign investment.

For example, the United States are considered to have one of the lowest, if not the lowest, country risk since its political and economic systems are very stable. When investors invest in countries with unstable political/economic systems they normally add a country risk premium to their required rate of return.

**Exchange Risks** – It is the risk of a loss (or gain) associated with carrying out international transactions which can be caused by unforeseen changes in exchange rates (the prices at which currencies trade for each other). It is the uncertainty of returns to an investor who acquires securities denominated in a currency different from his/her own. This risk is becoming greater as investors buy and sell securities around the world, as opposed to only securities within their own countries.

A European investor who buys U.S. shares/bonds denominated in U.S. dollar should consider not only the uncertainty of the return in U.S. dollar, but also any change in the exchange rate of the U.S. dollar relative to the Euro.

**Liquidity Risk** – The inability to find buyers on the terms desired. Infrequently traded securities/assets bear higher liquidity risk. The imbalance between the number of buyers and sellers or because the securities/assets are not traded very often cause this liquidity risk. The liquidity risk is usually reflected in a wide bid-ask spread or large price movements.

For instance, U.S. Treasury bills have almost no liquidity risk since investors can buy and sell these instruments in minutes at a price almost identical to the quoted price.

Therefore, liquidity risk can be a significant consideration when investing in some emerging markets and with insufficiently liquid stock and bond markets. Investors may avoid this risk by investing in securities that have high average daily turnover.

**Inflation Risk** – also called “purchasing power risk”. It is the possibility that the inflation will erode the expected real rate of return. Inflation is the general increase in the prices of goods and services. Therefore, as the rate of inflation increases the purchasing power decreases. Even though this risk should be considered by every investor, it could be more damaging to investors investing in bonds and other debt-instruments since they generally pay fixed coupons as well as the principal at maturity.

For instance, assume an investor that has invested \$100,000 in a 2-year certificate of deposit (CD) that earns 5% interest per year but the annual inflation rate stands at 3.0%. The table below describes in details the real return of the investor considering the inflation, too.

Time (t)	CD value at the end of each year ( 5% interest)	Purchasing power at 3% inflation rate $[1/(1+i)^t]$	Real value of CD	Loss due to inflation
1	\$105,000	.9709	\$101,945	\$3,055
2	\$110,250	.9426	\$103,922	\$6,328

As shown above, the rising inflation will reduce the purchasing power of the investor. Some investors avoid this risk by investing in inflation-indexed securities, such as Treasury Inflation Protected Securities (TIPS) that adjust their coupon and principal payments for changes in the consumer price index, thus giving the investor an assured real return.

**Credit Risk** – also called “default risk”. The inability of the issuer of the security to timely fulfill its contracted financial obligations like dividend, interest, principal etc.

This type of a risk is particularly important for investors holding bonds in their portfolios. Bonds issued by the federal government have the lowest credit risk, where corporate bonds have higher credit risk due to higher possibility of default.

Bond rating agencies, such as Standard & Poor’s, Moody’s and Fitch, provide credit ratings for bonds. These simply represent the raters’ assessment of an issuer’s ability to meet the payment of interest and payment in accordance with the terms of the debt contract. The higher the grade, the lower the credit risk and vice versa.

In general, the bond market can be divided in two sectors:

1. The investment grade bonds, which are bond issues that are assigned in the top four categories (AAA, AA, A and BBB), and
2. Non-investment grade bonds (speculative/high yield), which are bond issues that carry a rating below the top four categories (Below BBB)

**Interest Risk** – Fluctuations of market interest affect the prices of securities. Usually the price of shares increases if the interest rate falls and vice-versa.

Interest rate risk affects the value of bonds and other debt-instruments more directly than shares, and it is the major risk faced by the investors in the bond market. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise.

## **B. General Information About Financial Instruments**

### **1. Shares**

Common shares represent ownership of a firm. A share is an equal portion in the capital of the company.

Investing in common shares involves all the advantages and disadvantages of the ownership in a firm and is a reasonably riskier investment compared to investing in bonds.

A firm can have different types of shares, with different conditions and rights. Some of the types of shares are the following:

**Ordinary shares:** are standard shares without rights. They have the potential to give the highest financial gains, but also have the highest risk, especially in the event of bankruptcy or insufficient profits to distribute a dividend.

**Preference shares:** give the holder the right to preferential treatment when annual dividends are payable to shareholders. Usually they have rights to their dividend ahead of ordinary shareholders.

**Cumulative preference shares:** the holder has the right, if the dividend cannot be paid in one year, to carry it to successive years.

**Redeemable shares:** come with an agreement which says that the firm can buy the shares back at some future time.

The biggest risks on shares are the market risk or systematic risk, which cannot be diversified away, and the unsystematic risk which can be reduced or eliminated by constructing a well diversified portfolio.

## **Bonds**

Bonds are debt instruments issued, in capital markets with the purpose of raising capital. Investors who acquire bonds are lenders to the issuers. Particularly, investors lend some amount of money, the principal, to the borrower. In return, the borrower promises to make periodic interest payments (coupon payments) and to pay back the principal at the maturity of the loan. The par value represents the face value of a bond and the coupon rate refers to the actual interest rate on the bond. A zero-coupon bond makes no payments, but instead it is issued at a considerable discount to par value.

Note that there are different types of a bond (such as Government Bonds, Municipal Bonds, Corporate Bonds). Corporate bonds are characterised by higher yields because there is higher probability of a firm defaulting than a government. The upside is that corporate bonds can be the most rewarding due to the risk that investors must take on. Investors should also consider the quality of a bond. The higher the quality, the lower the interest rate investors receive.

Further to the abovementioned risks in part A, to which bonds are exposed (i.e. interest rate risk, credit risk, inflation risk, exchange risk e.t.c.) the Company needs to draw investors' attention to the reinvestment risk.

Reinvestment risk is the threat that proceeds earned from the investment will have to be reinvested at a lower interest rate than the instrument that generated the proceeds.

## **Warrants**

Company warrants are issued by companies on their own ordinary shares to raise capital for themselves. Their value depends on the value of the ordinary share which is the underlying security, which means that a warrant is a derivative product. As such, the warrant investor gains economic exposure to this underlying security without actually owning it. Investors buy the warrants at a fraction of the price of the underlying security and only upon exercise do they pay for the ordinary shares, when they will know the actual market price of the shares in comparison

to the predetermined price that should be paid. Thus, the buyer has the right (but not the obligation) to buy this underlying security at a predetermined price (the "Strike" or "Exercise Price") on or before a predetermined date (the "Expiry" Date).

To exercise a warrant means to exercise the rights attributed by the warrant. Hence, when a warrant holder exercises a warrant, it means that they want to buy the underlying security at the exercise price from the issuer.

The value of a warrant is determined by the underlying security price, the exercise price of the warrant, the volatility of the underlying security price, the time to expiry of the warrant, and the interest rate and the dividend yield of the underlying asset. There are risks such as liquidity risk, whereby in the face of insufficient buy orders, the market price of the warrant may be affected disproportionately and the warrant holder will not be able to sell his warrants for a reasonable price in the market, and the limited life of warrants due to the expiry date means that a warrant may become worthless if the buyer's expectations are not realized before expiry.

## **Rights**

A security that gives the company's shareholder the option, but not the obligation, to purchase a predetermined number of the company's shares at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. These rights are typically distributed to existing shareholders, who can trade these rights on a stock exchange. The rights give shareholders only the ability to buy the underlying shares, but they must still pay (subscribe) for the shares in order to redeem the rights. They are also known as "subscription rights" or "share purchase rights" because they give the right to existing shareholders in a company to retain an equal percentage ownership over time by subscribing to new stock issuances at or below market prices (also known as the "subscription privilege" or "pre-emptive right" of the shareholder).

Rights are often transferable, allowing the holder to sell them on the open market. They are issued only for a short period of time, after which they expire (whereby the underlying share becomes Ex-Rights).

Ex-Rights are Shares of stock that are trading but no longer have rights attached because they have either expired, been transferred to another investor or been exercised. The rights originally assigned to the stockholder are, for whatever reason, no longer valid or no longer applicable to the stock.

The theoretical ex-rights price is the market price that a stock will theoretically have following a new rights issue. Although the stock price is not likely to change immediately following the new rights issue, it will change as the rights expiration date approaches. The theoretical ex-rights price is based on the company's market capitalization and the number of shares outstanding. For example, if a new rights offering gives buyers the right to purchase 25% more shares than there are currently outstanding, the market price of the stock will theoretically be 25% less in the future than it is today (assuming 100% of the new rights will be exercised by the holders).

## **Futures**

A futures contract is a financial contract, which is an agreement between two parties to buy (buyer) or sell (seller) an asset at a certain time in the future for a certain price agreed today. A futures contract is traded on an exchange.

For instance, in a futures transaction the buyer agrees to buy an asset at a later time, at a price agreed on the start of the contract. The seller agrees to sell an asset to the buyer at maturity date, for the price agreed the first day of a contract. Every day, the futures contract trades in the market and its price changes. Buyers have a profit if the price increases and sellers have profit if the price decreases. By the end of the contract, the contract terminates and no further trading takes place. Another agreement related to transactions that will take place in the future can be a forward contract. The company draws your attention to the different characteristics of these two instruments, despite their similarities.

For a brief comparison see below main differences between forward and futures contracts:

<b><u>Forward</u></b>	<b><u>Futures</u></b>
Traded on over the counter market	Traded on an exchange
Not standardized	Standardized contract
Usually one specified delivery date	Range of delivery dates
Settled at the end of contract (subject to default risk)	Settled daily (no default risk)
Delivery or final cash settlement usually takes place	Contract is usually closed out prior to maturity

In practice, there are a number of factors that may cause forward and futures prices to be different. These include taxes, transactions costs and the treatment of margins. The risk that the counterparty will default is generally less in the case of a futures contract because of the role of the exchange. Also, in some instances, futures contracts are more liquid and easier to trade than forward contracts.

## **Options**

An option is a financial derivative contract that provides its holder the right to buy or sell an underlying at a predetermined price during a certain time or on a specific date (exercise date). Each option has a buyer, called the holder, and a seller, called the writer. There are two types of options, a call and a put. A call is an option that offers the right, but not the obligation, to buy the underlying; a put is an option that offers the right, but not the obligation, to sell the underlying.

To obtain this right, the option buyer pays the seller a sum of money, commonly known as option premium or option price. The fixed price at which the holder of the option can buy or sell the underlying is commonly known as exercise price or strike price.

In addition, there are two fundamental kinds of options: the American option and the European option. An American option permits the holder to exercise at any time before or at expiration, where the European option permits the holder to exercise only at expiration.

Investors may use options either for speculation or protection. Many investors trade in options to speculate on the price movements of an underlying security; which can be very risky for investors. On the other hand, investors may use options to protect or hedge an open position in an attempt to minimize risk.

Investors should note that the buyer of the option has less risk than the writer of the option. The maximum loss that the buyer can suffer is the option premium plus any other commission and fees. On the other hand, the writer of the option may lose significant amounts, since they have the obligation to buy the underlying no matter how far the market price has moved away from the exercise price. Investors should pay a great attention on the significant losses that they may have when the investor does not own the underlying and sell a call option due to the fact that the market price of the underlying may grow infinitely.

## **Swaps**

In general, a swap is an agreement between two parties (the counterparties) to exchange a series of future cash flows. The most common type of swaps are interest rate and currency swaps.

In a plain (vanilla) interest rate swap, one party agrees to pay a series of fixed rate payments where the other party agrees to pay a series of floating rate payments in the same currency. The swap agreement specifies the time over which the periodic payments will be made as well as the notional principal, which is a nominal quantity used as a scale factor to determine the interest payments. The rates are also set in the swap agreement. We should point out that the floating rate in the swap market is most often set as equalling LIBOR. Since the swap is in the same currency, there is no meaning of exchanging the principal amounts at the beginning and at the end of the interest rate swap. When interest payments are also in the same currency, the parties are usually netting the difference (agree to exchange only the net amount owned from one party to the other).

In a currency swap, one party provides a certain principal in one currency to the other party in exchange for an equivalent amount in a different currency. Each party will then pay interest on the currency it receives in the swap, and this interest payment can be made at either a fixed or a floating rate. At the maturity of the swap, the principal amounts are exchanged back. Note that in the currency swap the principal and the interest payments are both exchanged in full. In a currency swap, there is no exchange rate risk since the rate is set at the beginning of the swap.

Credit risk arises in swaps due to the fact that a party involved may not be able to make its payments. Note that credit risk is faced only by the party that is owed the greater amount.

The credit risk in an interest rate swap is greatest during the middle of the swap's life. At the beginning of the swap the credit risk is low because the counterparties would not engage in the swap if the credit risk was significant. At the end of the life of a swap the credit risk is also low due to the small number of remaining payments.

As for currency swaps, the credit risk is higher toward the end of the swap's life due to the payment of the notional principal.

### **Forward Rate Agreements (FRAs)**

A Forward Rate Agreement is an agreement that a certain interest rate will apply to a certain principal amount for a certain time period in the future.

It is an agreement over the counter, usually between two parties (between two financial institutions or between a financial institution and one of its clients) to settle the difference between an agreed level of interest and an actual future level of interest. The contract is agreed at the start of the period with fix interest.

With a Forward Rate Agreement you can reduce the interest rate risk.

## Contract for Differences (CFDs)

A Contract for Difference, or CFD, is “An agreement between two parties to exchange, at the close of the contract, the difference between the opening price and the closing price of the contract”. CFDs are a derivative product designed for active investors who want to leverage their investments; this leverage allows investors the potential to achieve greater profits (or losses) for the same amount of initial investment.

CFDs can be traded “long” or “short” to take a position on either rising or falling markets; they are available on individual equities, market sectors, market indices, currencies and commodities on major International Markets. A CFD has the following characteristics:

- Flexibility – access to a wide range of financial instruments from a single account, it is quick and easy to trade online and by phone, and can be used to bet on an investment to go either up or down. Volatility in any market can thus be used to the investor’s advantage.
- Leverage – A CFD is a leveraged investment thus the initial deposit for a trade is only a small proportion of the value of the total position; the initial deposit is, in effect, a down payment on any potential loss. This leverage gives the investor the possibility to achieve a greater profit, or loss, for the same initial investment. If losses exceed the initial deposit, this makes necessary a Margin call – a Margin call obliges the investor, who has an open position, to maintain the minimum deposit (the Margin) at all times.
- Hedging – A CFD can be used to reduce the risk of unwanted market movements; if an investor maintains a long-term portfolio of shares that he does wish to dispose off, a CFD can be bought to cover any loss of value if the markets drop suddenly.
- Pairs trading – if an investor has a strong conviction that one stock is undervalued compared to another, a CFD can be purchased to go long (buy) the first company and go short (sell) the second one.
- A CFD has no fixed expiry date (unlike Futures), nor a fixed trade size.

### Trading in CFDs:

No CFD trade allows the client to take delivery of any product; this means that for Share CFDs, the investor doesn’t actually own the shares and thus cannot receive all the privileges associated with being a shareholder, such as invitations to AGMs and voting at them. With respect to dividends however, these are credited or debited from the investor’s account on ex-date in relation to his open position at the close of business on the day before ex-date; they are paid on long positions and debited on short positions at the net amount.

All CFD trades are closed out FIFO (First In First Out).

There is a daily financing charge related with any open position at the Broker's daily close of business. Long CFD positions are charged financing and Short CFD positions receive financing at the applicable interest rate – this is Overnight Libor (for EURO, USD, or GBP) plus or minus the financing spread and is applied (on open positions) for the number of days until the next business day of the Broker.

### **Structured Notes**

Structured Notes are financial products which represent a special class of fixed income instruments, special because they contain embedded options and do not necessarily reflect the risk of the issuer's creditworthiness. These embedded options may be 'plain vanilla' (i.e. of the simplest form), or they may be highly leveraged exotic options (more complex structures both in the sense of valuing them and assessing their impact on a Note's performance).

Due to the fact that each Note is unique (as usually they are structured in a tailor-made way in order to meet investor's specific requirements), the risks inherent in any one structured note may not be obvious. A structured note is a hybrid security that attempts to change its profile by including additional modifying structures. A simple Structured Note is in effect a combination of a Bond (a fixed income investment) and an Option that has specific characteristics. An example would be a five-year bond tied together with an option contract for increasing overall returns.

Structured notes produce a return linked to the performance of an underlying benchmark such as interest rates, specific equity markets (and/or indexes), commodities (and/or commodity indexes), corporate credits or foreign currencies, or even any combination of the aforementioned.

Structured Note products help investors achieve their investment objectives as they are linked to a wide variety of asset classes providing excellent opportunities to earn an enhanced return and create a well-diversified portfolio.

Structured Notes may not be a suitable investment for all investors. Each potential investor must determine the suitability of this investment in light of his own circumstances. Each potential investor should have sufficient knowledge and experience to evaluate the risks associated with the Notes. The investors should have sufficient financial resources and liquidity to bear all of the risks

of an investment in the Notes, including Notes with final redemption amount payable in one or more currencies.

Structured Notes are complex financial instruments. Investors usually buy complex financial instruments in an attempt to diversify their portfolio and thus reduce their overall portfolio risk. A potential investor should not invest in complex Notes unless they have the expertise to evaluate the risks associated with the Notes.

The investor is subject to the risk of impairment (e.g. downgrading or even bankruptcy) of the Issuer's financial strength. Therefore, the value of the investment does not depend only on the performance of the underlying but also on the creditworthiness of the Issuer.

## **OTHER INSTRUMENTS**

### **Foreign Exchange Market (Forex)**

The foreign exchange (forex) market is the market for currencies. The most popular, and thus liquid, currencies are the US Dollar, the EURO, the Japanese Yen and the British Pound. The forex market operates 24 hours a day and five days a week, and any person, firm, or entity may participate in this market from any country. Like many other investments, trading in foreign exchange entails a lot of risk and may not be suitable for all the investors. Another factor enhancing the returns of forex trading, and thus the risk, is the opportunity to use leverage (i.e. trade on margin and thus multiply many times over your original investment).

Forex transactions are quoted in pairs because we are buying one currency while selling another. The first currency is the base currency and the second is the quote currency. The price that is quoted is the amount of the second currency required to purchase one unit of the first currency. For example, a typical "bid/offer" (or buy/sell) quotation by a currency dealer for the price of the Euro in Dollars (EUR/USD) might be 1.5533/1.5535, implying a 2 pip spread. This means that this dealer can buy from the client, at that specific moment, one Euro for 1.5533 US Dollars, and can sell to the client one Euro for 1.5535 USD.

Trading in foreign exchange involves substantial risk of loss and may not be suitable for all investors. The high degree of "leverage" can work against you as well as for you. You may sustain a total loss of your own funds as well as any additional funds needed to maintain a position in the foreign exchange market. Therefore, you should consider whether trading in foreign exchange is

suitable for you in light of your financial condition, investment objectives, risk tolerance and investment experience and knowledge.

## **Carbon credits**

Carbon credits' trading is an administrative approach used to control pollution by providing economic incentives for achieving reductions in the emissions of pollutants. A central authority (usually a government or international body) sets a limit or cap on the amount of a pollutant that can be emitted. Companies or other groups are issued emission permits and are required to hold an equivalent number of carbon credits which represent the right to emit a specific amount. The total amount of carbon credits cannot exceed the cap, limiting total emissions to that level. Companies that need to increase their emissions must buy credits from those who pollute less. The transfer of carbon credits is referred to as a trade. In effect, the buyer is paying a charge for polluting, while the seller is being rewarded for having reduced emissions by more than was needed. Thus, in theory, those that can easily reduce emissions most cheaply will do so, achieving the pollution reduction at the lowest possible cost to society.

Carbon credits are a key component of national and international emissions trading schemes that have been implemented to mitigate global warming. They provide a way to reduce greenhouse effect emissions on an industrial scale by capping total annual emissions and letting the market assign a monetary value to any shortfall through trading. Credits can be exchanged between businesses or bought and sold in international markets at the prevailing market price.

The Kyoto Protocol (1997) agreed "caps" or quotas on the maximum amount of Greenhouse gases for developed and developing countries. In turn these countries set quotas on the emissions of installations run by local business and other organizations. Since 2005, the Kyoto mechanism has been adopted for CO<sub>2</sub> (carbon) trading by all the countries within the European Union under its European Trading Scheme (EU ETS) with the European Commission as its validating authority, and many other countries internationally. Carbon emissions permits traded under the EU ETS are called EU allowances (EUAs) whereas in non-EU countries such permits are called certified emissions reductions (CERs).

For trading purposes, one EUA or CER is considered equivalent to one metric tonne of CO<sub>2</sub> emissions. These credits can be sold privately or in the international market at the prevailing

market price. These trade and settle internationally and hence allow allowances to be transferred between countries.

When investors are investing in Carbon credits they are exposed to several risks, such as:

- Political risk due to ambiguous legal regulation, a complex regulatory framework, uncertainty over carbon caps after 2012 as global agreements have to be renegotiated and constant pressures by industry to make the regulation less strict.
- Liquidity risk caused by the lack of a variety of market participants due to the political risk above plus the recent introduction of carbon credits;
- Counterparty risk; this is a crucial risk when the trade is Over-The-Counter, since the counterparty may default; alternatively, this could mean the inability of the counterparty to either transfer the funds if the trade is a Buy or to transfer the credits if the trade is a Sell.
- Unanticipated drops in carbon emissions, caused e.g. by a global recession or rapid replacement of carbon-based fuels by renewable energies, thus causing a sudden drop in demand for carbon credits.