FX Forward, Swap & Open Forward ("FX Forwards & Swaps") – Key Risks & Features

FX Forwards & Swaps are risk management tools that can be utilised in order to hedge FX risks and exposures generated through commercial activity. These products allow users to guarantee future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures.

Risk / Feature	Commentary
Market Risk	• Market risk can materialise due to macroeconomic factors and may have an impact on a particular instrument or more broadly on currency markets as a whole. • There is no direct risk to returns from market risk, however there is the potential for opportunity cost because whilst entering into one of the contracts above guarantees a known rate of exchange on delivery, it is possible that on expiry Spot market conditions could be preferable to those agreed in the contract and thus a client may have been in a better position having not initially entered into the hedge.
Credit Risk	• By entering into a bilateral contract a client is taking on a credit risk to Investec Europe Limited. In the event that Investec Europe should default on it's obligations or become insolvent a client may not receive back the full value of their transactions.
Volatility Risk	• In adverse market conditions volatility can increase and this will lead to greater market risk. In normal market conditions volatility in FX markets will vary between currency pairs. Major currency pairs such as G10 currencies offer more stability than emerging market currencies where volatility is more significant. • In more volatile market conditions clients may be subject to a wider spread with regards to pricing available.
Liquidity Risk	• FX markets are generally very liquid however similarly to volatility this can depend on currency pair. G10 currency pairs will offer greater liquidity than more obscure emerging market currency pairs. • In markets with less liquidity clients may be subject to a wider spread with regards to pricing available.
FX Risk	• Clients entering into FX contracts with Investec Europe are exposed to direct FX risk as fluctuations in the market will have a direct impact on the clients market risk as outlined above.

FX Forward, Swap & Open Forward ("FX Forwards & Swaps") – Key Risks & Features

FX Forwards & Swaps are risk management tools that can be utilised in order to hedge FX risks and exposures generated through commercial activity. These products allow users to guarantee future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures.

Risk / Feature	Commentary
Concentration Risk	• Concentration Risk is not applicable to these products.
Conflicts	• Investec Europe may take and /or hold positions that conflict with those of our clients, more details around the treatment and execution of client orders can be found in the Order Execution policy which can be found on the website. • Conflicts arising, from Investec Europe's business model, such as the one noted above, are managed through internal controls and process and is detailed in the Conflicts of Interest policy which can be found on the website.
Transparency	• FX Spot markets are very transparent with up to date pricing available online. Pricing around other FX instruments such as these products is not as transparent, though FX Forward pricing and calculators can also be found online. • Where markets are less transparent it can be challenging to form an independent assessment of a contract's fair value.
Margin	• Investec Europe may, from time to time, request that a client posts collateral against a trading position, subject to the specific arrangements agreed between Investec Europe and client. These funds are required in order to protect Investec Europe from losses should a client default on their obligations or become insolvent. • From time to time, Investec Europe may take security over an account, which will be notified to the client in our facility letter. These funds are required in order to protect Investec Europe from losses should a client default on their obligations or become insolvent. • A client that has funds held by Investec Europe as collateral is also exposed to the credit risk outlined above

FX Forward, Swap & Open Forward (“FX Forwards & Swaps”) – Key Risks & Features

FX Forwards & Swaps are risk management tools that can be utilised in order to hedge FX risks and exposures generated through commercial activity. These products allow users to guarantee future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures.

Risk / Feature	Commentary
Contingent Liabilities	• Contingent Liabilities are not applicable to these products.
Exit Costs	• These products do not have explicit exit fees that are payable above and beyond a clients mark to market and contractual obligations should they wish to close a position early, however there may be costs involved in this process depending upon market conditions at the time the client wishes to exit. A client may not be able to redeem full original value of the contract. • A clients ability to exit early will also be dependent upon the liquidity of the market at the time, should a market be illiquid at the point of early exit then the exit costs are likely to be more significant. • There is no cost associated with exiting a product on expiry or at the end of it’s recommended holding period provided a client satisfies their contractual obligations.
Leverage	• Leverage is not applicable to these products.
Interest Rate Risk	• Clients entering into contracts such as these will have Interest Rate risk. Changes in interest rates will have a direct impact on FX Forward pricing, as such fluctuations in interest rates will have an impact on the market risks facing clients.

FX Option (buy) & Participating Forward, Zero Cost Collar, Forward Extra, Forward Extra Plus, Bonus Forward, Bonus Forward Extra, Release Forward & Range Forward – Key Risks & Features

The OTC FX derivatives above are risk management tools that can be utilised in order to hedge FX risks and exposures generated through commercial activity. These products allow users to protect future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures with additional features that offer some optionality and participation in market moves.

Risk / Feature	Commentary
Market Risk	• Market risk can materialise due to macroeconomic factors and may have an impact on a particular instrument or more broadly on currency markets as a whole. • Market Risk is direct as the outcome on expiry is dependant upon the underlying market throughout the life of the product. • Whilst Market Risk exists each of these products provides a known worst-case protected rate to remove uncertainty on notional and rate deliverable on expiry.
Credit Risk	• By entering into a bilateral contract a client is taking on a credit risk to Investec Europe Limited. In the event that Investec Europe should default on it's obligations or become insolvent a client may not receive back the full value of their transactions.
Volatility Risk	• In adverse market conditions volatility can increase and this will lead to greater market risk. In normal market conditions volatility in FX markets will vary between currency pairs. Major currency pairs such as G10 currencies offer more stability than emerging market currencies where volatility is more significant. • In more volatile market conditions clients may be subject to a wider spread with regards to pricing available. • Changes in volatility will have an impact on the mark to market of a derivative contract.
Liquidity Risk	• FX markets are generally very liquid however similarly to volatility this can depend on currency pair. G10 currency pairs will offer greater liquidity than more obscure emerging market currency pairs. • In markets with less liquidity clients may be subject to a wider spread with regards to pricing available.
FX Risk	• Clients entering into FX derivative contracts with Investec Europe are exposed to direct FX risk as fluctuations in the market will have a direct impact on the clients market risk as outlined above.

FX Option (buy) & Participating Forward, Zero Cost Collar, Forward Extra, Forward Extra Plus, Bonus Forward, Bonus Forward Extra, Release Forward & Range Forward – Key Risks & Features

The OTC FX derivatives above are risk management tools that can be utilised in order to hedge FX risks and exposures generated through commercial activity. These products allow users to protect future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures with additional features that offer some optionality and participation in market moves.

Risk / Feature	Commentary
Concentration Risk	• Concentration Risk is not applicable to these products.
Conflicts	• Investec Europe may take and /or hold positions that conflict with those of our clients, more details around the treatment and execution of client orders can be found in the Order Execution policy which can be found on the website. • Conflicts arising, from Investec Europe's business model, such as the one noted above, are managed through internal controls and process and is detailed in the Conflicts of Interest policy which can be found on the website.
Transparency	• FX Spot markets are very transparent with up to date pricing available online. Pricing around other FX instruments such as these structured FX derivatives is far less transparent. • Where markets are less transparent it can be challenging to form an independent assessment of a contract's fair value. • In line with regulatory requirements the Investec Europe website will provide indicative pre-trade cost disclosure for all of the above products, • Additionally, transaction specific post-trade cost disclosures will be provided for all OTC FX derivatives on trade confirmations.
Margin	• Investec Europe may, from time to time, request that a client posts collateral against a trading position , subject to the specific arrangements agreed between Investec Europe and client. These funds are required in order to protect Investec Europe from losses should a client default on their obligations or become insolvent. • From time to time, Investec Europe may take security over an account, which will be notified to the client in our facility letter. These funds are required in order to protect Investec Europe from losses should a client default on their obligations or become insolvent. • A client that has funds held by Investec Europe as collateral is also exposed to the credit risk outlined above

FX Option (buy) & Participating Forward, Zero Cost Collar, Forward Extra, Forward Extra Plus, Bonus Forward, Bonus Forward Extra, Release Forward & Range Forward – Key Risks & Features

The OTC FX derivatives above are risk management tools that can be utilised in order to hedge FX risks and exposures generated through commercial activity. These products allow users to protect future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures with additional features that offer some optionality and participation in market moves.

Risk / Feature	Commentary
Contingent Liabilities	• Contingent Liabilities are not applicable to these products.
Exit Costs	• These products do not have explicit exit fees that are payable above and beyond a clients mark to market and contractual obligations should they wish to close a position early, however there may be costs involved in this process depending upon market conditions at the time the client wishes to exit. A client may not be able to redeem full original value of the contract. • A clients ability to exit early will also be dependent upon the liquidity of the market at the time, should a market be illiquid at the point of early exit then the exit costs are likely to be more significant. • There is no cost associated with exiting a product on expiry or at the end of it's recommended holding period provided a client satisfies their contractual obligations.
Leverage	• Net sold optionality creates a gearing effect on both risks and returns.
Interest Rate Risk	• Clients entering into contracts such as these are taking on an indirect Interest Rate risk. Changes in interest rates will have a direct impact on FX Forward pricing, as such fluctuations in interest rates will have an impact on the market risks facing clients.

FX: Ratio Forward – Key Risks & Features

The OTC FX derivative above is a risk management tool that can be utilised in order to hedge FX risks and exposures generated through commercial activity. This products allow users to protect future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures. This product contains additional features that add to the risk of further obligations in certain pre-defined market conditions. The leverage included in this product may require a user to purchase a greater amount of currency at a defined rate as defined in the contract.

Risk / Feature	Commentary
Market Risk	• Market risk can materialise due to macroeconomic factors and may have an impact on a particular instrument or more broadly on currency markets as a whole. • Market Risk is direct as the outcome on expiry is dependant upon the underlying market throughout the life of the product. • Whilst Market Risk exists , a Ratio Forward provides a known worst-case protected rate, however depending on the underlying reference price on expiry a client may be obliged to execute a higher notional at a less favourable rate .
Credit Risk	• By entering into a bilateral contract a client is taking on a credit risk to Investec Europe Limited. In the event that Investec Europe should default on it's obligations or become insolvent a client may not receive back the full value of their transactions.
Volatility Risk	• In adverse market conditions volatility can increase and this will lead to greater market risk. In normal market conditions volatility in FX markets will vary between currency pairs. Major currency pairs such as G10 currencies offer more stability than emerging market currencies where volatility is more significant. • In more volatile market conditions clients may be subject to a wider spread with regards to pricing available. • Changes in volatility will have an impact on the mark to market of a derivative contract.
Liquidity Risk	• FX markets are generally very liquid however similarly to volatility this can depend on currency pair. G10 currency pairs will offer greater liquidity than more obscure emerging market currency pairs. • In markets with less liquidity clients may be subject to a wider spread with regards to pricing available.
FX Risk	• Clients entering into FX derivative contracts with Investec Europe are exposed to direct FX risk as fluctuations in the market will have a direct impact on the clients market risk as outlined above.

FX: Ratio Forward – Key Risks & Features

The OTC FX derivative above is a risk management tool that can be utilised in order to hedge FX risks and exposures generated through commercial activity. This products allow users to protect future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures. This product contains additional features that add to the risk of further obligations in certain pre-defined market conditions. The leverage included in this product may require a user to purchase a greater amount of currency at a defined rate as defined in the contract.

Risk / Feature	Commentary
Concentration Risk	• Concentration Risk is not applicable to these products.
Conflicts	• Investec Europe may take and /or hold positions that conflict with those of our clients, more details around the treatment and execution of client orders can be found in the Order Execution policy which can be found on the website. • Conflicts arising, from Investec Europe's business model, such as the one noted above, are managed through internal controls and process and is detailed in the Conflicts of Interest policy which can be found on the website.
Transparency	• FX Spot markets are very transparent with up to date pricing available online. Pricing around other FX instruments such as a Ratio Forward is less transparent. • Where markets are less transparent it can be challenging to form an independent assessment of a contract's fair value. • In line with regulatory requirements the Investec Europe website will provide indicative pre-trade cost disclosure for all OTC FX derivatives. • Additionally, transaction specific post-trade cost disclosures will be provided for all OTC FX derivatives on trade confirmations.
Margin	• Investec Europe may, from time to time, request that a client posts collateral against a trading position , subject to the specific arrangements agreed between Investec Europe and client. These funds are required in order to protect Investec Europe from losses should a client default on their obligations or become insolvent. • From time to time, Investec Europe may take security over an account, which will be notified to the client in our facility letter. These funds are required in order to protect Investec Europe from losses should a client default on their obligations or become insolvent. • A client that has funds held by Investec Europe as collateral is also exposed to the credit risk outlined above

FX: Ratio Forward – Key Risks & Features

The OTC FX derivative above is a risk management tool that can be utilised in order to hedge FX risks and exposures generated through commercial activity. This products allow users to protect future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures. This product contains additional features that add to the risk of further obligations in certain pre-defined market conditions. The leverage included in this product may require a user to purchase a greater amount of currency at a defined rate as defined in the contract.

Risk / Feature	Commentary
Contingent Liabilities	• Contingent Liabilities are not applicable to these products.
Exit Costs	• A Ratio Forward does not have explicit exit fees that are payable above and beyond a clients mark to market and contractual obligations should they wish to close a position early, however there may be costs involved in this process depending upon market conditions at the time the client wishes to exit. A client may not be able to redeem full original value of the contract. • A clients ability to exit early will also be dependent upon the liquidity of the market at the time, should a market be illiquid at the point of early exit then the exit costs are likely to be more significant. • There is no cost associated with exiting a product on expiry or at the end of it's recommended holding period provided a client satisfies their contractual obligations.
Leverage	• A Ratio Forward is a leveraged product, the impact of this is that dependant upon market conditions on expiry the client may be obliged to transact in greater volume at a pre-defined rate. • A client using leverage will not have the certainty offered by an unleveraged product as the volume transacted will not be known until expiry. • Net sold optionality creates a gearing effect on both risks and returns.
Interest Rate Risk	• Clients entering into contracts such as these are taking on an indirect Interest Rate risk. Changes in interest rates will have a direct impact on FX Forward pricing, as such fluctuations in interest rates will have an impact on the market risks facing clients.

FX Option (sell), Calendar Ratio Forward, Accrual Forward, Accrual Forward Extra, Extendible Forward – Key Risks & Features

These products cannot be considered a hedge as they contain features which mean they may terminate prior to expiry therefore leaving a user unhedged and needing to seek cover in the prevailing Spot market. The use of these products is restricted to MiFID Professional clients.

Risk / Feature	Commentary
Market Risk	• Market risk can materialise due to macroeconomic factors and may have an impact on a particular instrument or more broadly on currency markets as a whole. • Market Risk is direct as the outcome on expiry is dependant upon the underlying market throughout the life of the product. • Depending upon the underlying reference price on expiry these products may terminate leaving the client with no hedge. Clients may then opt to trade in the prevailing Spot market.
Credit Risk	• By entering into a bilateral contract a client is taking on a credit risk to Investec Europe Limited. In the event that Investec Europe should default on it's obligations or become insolvent a client may not receive back the full value of their transactions.
Volatility Risk	• In adverse market conditions volatility can increase and this will lead to greater market risk. In normal market conditions volatility in FX markets will vary between currency pairs. Major currency pairs such as G10 currencies offer more stability than emerging market currencies where volatility is more significant. • When dealing in more volatile markets the likelihood of a knockout event is increased. • In more volatile market conditions clients may be subject to a wider spread with regards to pricing available. • Changes in volatility will have an impact on the mark to market of a derivative contract.
Liquidity Risk	• FX markets are generally very liquid however similarly to volatility this can depend on currency pair. G10 currency pairs will offer greater liquidity than more obscure emerging market currency pairs. • In markets with less liquidity clients may be subject to a wider spread with regards to pricing available.
FX Risk	• Clients entering into FX derivative contracts with Investec Europe are exposed to direct FX risk as fluctuations in the market will have a direct impact on the clients market risk as outlined above.

FX Option (sell), Calendar Ratio Forward, Accrual Forward, Accrual Forward Extra, Extendible Forward – Key Risks & Features

These products cannot be considered a hedge as they contain features which mean they may terminate prior to expiry therefore leaving a user unhedged and needing to seek cover in the prevailing Spot market. The use of these products is restricted to MiFID Professional clients.

Risk / Feature	Commentary
Concentration Risk	• Concentration Risk is not applicable to these products.
Conflicts	• Investec Europe may take and /or hold positions that conflict with those of our clients, more details around the treatment and execution of client orders can be found in the Order Execution policy which can be found on the website. • Conflicts arising, from Investec Europe's business model, such as the one noted above, are managed through internal controls and process and is detailed in the Conflicts of Interest policy which can be found on the website.
Transparency	• FX Spot markets are very transparent with up to date pricing available online. Pricing around other FX instruments such as a OTC FX derivatives is less transparent. • Where markets are less transparent it can be challenging to form an independent assessment of a contract's fair value. • In line with regulatory requirements the Investec Europe website will provide indicative pre-trade cost disclosure for all OTC FX derivatives. • Additionally, transaction specific post-trade cost disclosures will be provided for all OTC FX derivatives on trade confirmations.
Margin	• Investec Europe may, from time to time, request that a client posts collateral against a trading position , subject to the specific arrangements agreed between Investec Europe and client. These funds are required in order to protect Investec Europe from losses should a client default on their obligations or become insolvent. • A client that has funds held by Investec Europe as collateral is also exposed to the credit risk outlined above

FX Option (sell), Calendar Ratio Forward, Accrual Forward, Accrual Forward Extra, Extendible Forward – Key Risks & Features

These products cannot be considered a hedge as they contain features which mean they may terminate prior to expiry therefore leaving a user unhedged and needing to seek cover in the prevailing Spot market. The use of these products is restricted to MiFID Professional clients.

Risk / Feature	Commentary
Contingent Liabilities	• Contingent Liabilities are not applicable to these products.
Exit Costs	• These products do not have explicit exit fees that are payable above and beyond a clients mark to market and contractual obligations should they wish to close a position early, however there may be costs involved in this process depending upon market conditions at the time the client wishes to exit. A client may not be able to redeem full original value of the contract. • A clients ability to exit early will also be dependent upon the liquidity of the market at the time, should a market be illiquid at the point of early exit then the exit costs are likely to be more significant. • There is no cost associated with exiting a product on expiry or at the end of it's recommended holding period provided a client satisfies their contractual obligations.
Leverage	• These FX derivative products all contain leverage, the impact of this is that dependant upon market conditions on expiry the client may be obliged to transact in greater volume at a pre-defined rate. • It is possible that in some cases the products may contain "knock-outs" which will mean that should a certain pre-defined event occur the product will terminate. This could mean that a client is left seeking any required FX in the prevailing Spot market. • A client using leverage will not have the certainty offered by an unleveraged product as the rate achieved and volume transacted will not be known until expiry. • Net sold optionality creates a gearing effect on both risks and returns.
Interest Rate Risk	• Clients entering into contracts such as these are taking on an indirect Interest Rate risk. Changes in interest rates will have a direct impact on FX Forward pricing, as such fluctuations in interest rates will have an impact on the market risks facing clients.

Dual Currency Deposit ("DCD")
– Key Risks & Features

This deposit product allows a client to earn interest over a flexible term with the added feature that if the prevailing Spot market is at a pre-defined rate on maturity the deposit will convert. In this scenario the client will, on expiry, be returned their deposit plus interest in an alternate currency.

Risk / Feature	Commentary
Market Risk	• Market risk can materialise due to macroeconomic factors and may have an impact on a particular instrument or more broadly on currency markets as a whole. • The client deposit is subject to a potential conversion dependent upon pre-defined market conditions on expiry. • A client may receive back less , in original currency terms, than originally deposited dependant upon market conditions on expiry.
Credit Risk	• By entering into a bilateral contract a client is taking on a credit risk to Investec Europe Limited. In the event that Investec Europe should default on it's obligations or become insolvent a client may not receive back the full value of their transactions.
Volatility Risk	• In adverse market conditions volatility can increase and this will lead to greater market risk. In normal market conditions volatility in FX markets will vary between currency pairs. Major currency pairs such as G10 currencies offer more stability than emerging market currencies where volatility is more significant. • Changes in volatility will have an impact on the mark to market of a derivative contract.
Liquidity Risk	• FX markets are generally very liquid however similarly to volatility this can depend on currency pair. G10 currency pairs will offer greater liquidity than more obscure emerging market currency pairs. • In markets with less liquidity clients may be subject to a wider spread with regards to pricing available.
FX Risk	• Clients entering into a DCD with Investec Europe are exposed to direct FX risk as fluctuations in the market will have a direct impact on the outcome for the client.

Dual Currency Deposit ("DCD") – Key Risks & Features

This deposit product allows a client to earn interest over a flexible term with the added feature that if the prevailing Spot market is at a pre-defined rate on maturity the deposit will convert. In this scenario the client will, on expiry, be returned their deposit plus interest in an alternate currency.

Risk / Feature	Commentary
Concentration Risk	• Concentration Risk is not applicable to this products.
Conflicts	• Investec Europe may take and /or hold positions that conflict with those of our clients, more details around the treatment and execution of client orders can be found in the Order Execution policy which can be found on the website. • Conflicts arising, from Investec Europe's business model, such as the one noted above, are managed through internal controls and process and is detailed in the Conflicts of Interest policy which can be found on the website.
Transparency	• FX Spot markets are very transparent with up to date pricing available online. Pricing around other FX instruments such as a OTC FX derivatives is less transparent.
Margin	• Margin is not applicable to this product.

Dual Currency Deposit ("DCD")
– Key Risks & Features

This deposit product allows a client to earn interest over a flexible term with the added feature that if the prevailing Spot market is at a pre-defined rate on maturity the deposit will convert. In this scenario the client will, on expiry, be returned their deposit plus interest in an alternate currency.

Risk / Feature	Commentary
Contingent Liabilities	• Contingent Liabilities are not applicable to this product.
Exit Costs	• A DCD does not have explicit exit fees that are payable above and beyond a clients mark to market and contractual obligations should they wish to close a position early, however there may be costs involved in this process depending upon market conditions at the time the client wishes to exit. A client may not be able to redeem full original value of the contract. • A clients ability to exit early will also be dependent upon the liquidity of the market at the time, should a market be illiquid at the point of early exit then the exit costs are likely to be more significant. • There is no cost associated with exiting a product on expiry or at the end of it's recommended holding period provided a client satisfies their contractual obligations.
Leverage	• Net sold optionality creates a gearing effect on both risks and returns.
Interest Rate Risk	• Clients entering into this contract are exposed to interest rate risk primarily in relation to the term of the product.

Commodity Forward, Commodity Swap – Key Risks & Features

Commodity Forwards & Swaps are risk management tools that can be utilised in order to hedge commodity risks and exposures generated through commercial activity. These products allow users to guarantee future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures.

Risk / Feature	Commentary
Market Risk	• Market risk can materialise due to macroeconomic factors and may have an impact on a particular instrument or more broadly on markets as a whole. • There is no direct risk to returns from market risk, however there is the potential for opportunity cost because whilst entering into one of the contracts above guarantees a known price on delivery, it is possible that on expiry Spot market conditions could be preferable to those agreed in the contract and thus a client may have been in a better position having not initially entered into the hedge.
Credit Risk	• By entering into a bilateral contract a client is taking on a credit risk to Investec Europe Limited. In the event that Investec Europe should default on it's obligations or become insolvent a client may not receive back the full value of their transactions.
Volatility Risk	• In adverse market conditions volatility can increase and this will lead to greater market risk. Volatility in Commodity markets will vary between commodity type. • In more volatile market conditions clients may be subject to a wider spread with regards to pricing available. • Changes in volatility will have an impact on the mark to market of a derivative contract.
Liquidity Risk	• Liquidity in Commodity markets are vary depending on the specific commodity type. • In markets with less liquidity clients may be subject to a wider spread with regards to pricing available.
FX Risk	• Clients entering into Commodity contracts with Investec Europe may be exposed to indirect FX risk depending upon the details of the specific transaction. GBP clients purchasing a USD denominated commodity for example are exposed to both the underlying commodity risk and indirectly have an exposure to GBP/USD FX rates. • This risk can be mitigated as a part of any commodity transaction undertaken as required.

Commodity Forward, Commodity Swap – Key Risks & Features

Commodity Forwards & Swaps are risk management tools that can be utilised in order to hedge commodity risks and exposures generated through commercial activity. These products allow users to guarantee future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures.

Risk / Feature	Commentary
Concentration Risk	• Concentration Risk is not applicable to these products.
Conflicts	• Conflicts arising from Investec Europe's business model are managed through internal controls and process and is detailed in the Conflicts of Interest policy which can be found on the website.
Transparency	• Commodity Spot markets are very transparent with up to date pricing available online. Pricing around other Commodity instruments such as these products is not as transparent. • Where markets are less transparent it can be challenging to form an independent assessment of a contract's fair value.
Margin	• Investec Europe may, from time to time, request that a client posts collateral against a trading position , subject to the specific arrangements agreed between Investec Europe and client. These funds are required in order to protect Investec Europe from losses should a client default on their obligations or become insolvent. • A client that has funds held by Investec Europe as collateral is also exposed to the credit risk outlined above

Commodity Forward, Commodity Swap – Key Risks & Features

Commodity Forwards & Swaps are risk management tools that can be utilised in order to hedge commodity risks and exposures generated through commercial activity. These products allow users to guarantee future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures.

Risk / Feature	Commentary
Contingent Liabilities	• Contingent Liabilities are not applicable to these products.
Exit Costs	• These products do not have explicit exit fees that are payable above and beyond a clients mark to market and contractual obligations should they wish to close a position early, however there may be costs involved in this process depending upon market conditions at the time the client wishes to exit. A client may not be able to redeem full original value of the contract. • A clients ability to exit early will also be dependent upon the liquidity of the market at the time, should a market be illiquid at the point of early exit then the exit costs are likely to be more significant. • There is no cost associated with exiting a product on expiry or at the end of it's recommended holding period provided a client satisfies their contractual obligations.
Leverage	• Leverage is not applicable to these products.
Interest Rate Risk	• Changes in interest rates will have an impact on the mark to market of derivatives because rates determine how future cash flows are discounted.

Commodity Option (Buy), Collar, 3-Way, Participating Forward – Key Risks & Features

The OTC Commodity derivatives above are risk management tools that can be utilised in order to hedge Commodity risks and exposures generated through commercial activity. These products allow users to guarantee future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures with additional complexities that offer some optionality and participation in market moves.

Risk / Feature	Commentary
Market Risk	• Market risk can materialise due to macroeconomic factors and may have an impact on a particular instrument or more broadly on markets as a whole. • Market Risk is direct as the outcome on expiry is dependant upon the underlying market throughout the life of the contract. • Whilst Market Risk exists on each of these products, they provide a known worst-case protected rate to remove uncertainty on notional and rate deliverable on expiry.
Credit Risk	• By entering into a bilateral contract a client is taking on a credit risk to Investec Europe Limited. In the event that Investec Europe should default on it's obligations or become insolvent a client may not receive back the full value of their transactions.
Volatility Risk	• In adverse market conditions volatility can increase and this will lead to greater market risk. Volatility in Commodity markets will vary between Commodity type. • In more volatile market conditions clients may be subject to a wider spread with regards to pricing available. • Changes in volatility will have an impact on the mark to market of a derivative contract.
Liquidity Risk	• Liquidity in Commodity markets are vary depending on the specific commodity type. • In markets with less liquidity clients may be subject to a wider spread with regards to pricing available.
FX Risk	• Clients entering into Commodity contracts with Investec Europe may be exposed to indirect FX risk depending upon the details of the specific transaction. GBP clients purchasing a USD denominated commodity for example are exposed to both the underlying commodity risk and indirectly have an exposure to GBP/USD FX rates. • This risk can be mitigated as a part of any commodity transaction undertaken as required.

Commodity Option (Buy), Collar, 3-Way, Participating Forward – Key Risks & Features

The OTC Commodity derivatives above are risk management tools that can be utilised in order to hedge Commodity risks and exposures generated through commercial activity. These products allow users to guarantee future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures with additional complexities that offer some optionality and participation in market moves.

Risk / Feature	Commentary
Concentration Risk	• Concentration Risk is not applicable to these products.
Conflicts	• Conflicts arising from Investec Europe's business model are managed through internal controls and process and is detailed in the Conflicts of Interest policy which can be found on the website.
Transparency	• Commodity Spot markets are very transparent with up to date pricing available online. Pricing around structured Commodity derivatives such as these products is not as transparent. • Where markets are less transparent it can be challenging to form an independent assessment of a contract's fair value.
Margin	• Investec Europe may, from time to time, request that a client posts collateral against a trading position , subject to the specific arrangements agreed between Investec Europe and client. These funds are required in order to protect Investec Europe from losses should a client default on their obligations or become insolvent. • A client that has funds held by Investec Europe as collateral is also exposed to the credit risk outlined above

Commodity Option (Buy), Collar, 3-Way, Participating Forward – Key Risks & Features

The OTC Commodity derivatives above are risk management tools that can be utilised in order to hedge Commodity risks and exposures generated through commercial activity. These products allow users to guarantee future cash-flows and remove the risks presented by market fluctuations for known future revenues or expenditures with additional complexities that offer some optionality and participation in market moves.

Risk / Feature	Commentary
Contingent Liabilities	• Contingent Liabilities are not applicable to these products.
Exit Costs	• These products do not have explicit exit fees that are payable above and beyond a clients mark to market and contractual obligations should they wish to close a position early, however there may be costs involved in this process depending upon market conditions at the time the client wishes to exit. A client may not be able to redeem full original value of the contract. • A clients ability to exit early will also be dependent upon the liquidity of the market at the time, should a market be illiquid at the point of early exit then the exit costs are likely to be more significant. • There is no cost associated with exiting a product on expiry or at the end of it's recommended holding period provided a client satisfies their contractual obligations.
Leverage	• Net sold optionality creates a gearing effect on both risks and returns.
Interest Rate Risk	• Changes in interest rates will have an impact on the mark to market of derivatives because rates determine how future cash flows are discounted.

Interest Rate Swap, Cap / Floor, Cross Currency Swap, Swaption, Inflation Swap, Callable Swap – Key Risks & Features

The above products allow clients to reduce risks and exposures created by movements in interest rates, FX or inflation and are generally linked to financing arrangements such as loans or bonds. These products are generally used to manage cash flow or fair value volatility and reduce risks presented by interest rate or inflation fluctuations.

Risk / Feature	Commentary
Market Risk	• Market risk can materialise for a variety of different reasons and may have a significant impact on valuation of a particular instrument or more broadly on the operation of financial markets as a whole • Hedging instruments are typically used to reduce market risks however there is the potential for clients to realise hedge ineffectiveness or opportunity costs as a result of changing market prices or market operation. For example, with hindsight, it may be that a derivative user may have been better off by leaving an exposure unhedged.
Credit Risk	• By entering into a bilateral contract a client is taking on a credit risk to Investec Europe Limited. In the event that Investec Europe should default on it's obligations or become insolvent a client may not receive back the full value of their transactions.
Volatility Risk	• In more volatile market conditions clients may be subject to wider spreads with regards to pricing i.e. with respect to the spread they achieved when entering into a transaction. • For transactions which are collateralised, increases in volatility could result in larger or more frequent collateral payments than a client may be used to. • Changes in volatility will have an impact on the mark to market of a derivative contract.
Liquidity Risk	• Different interest rate and inflation instruments exhibit different liquidity risks which depend on, inter alia, trade tenor, trade currency, the underlying indices being referenced, trade size and time of day. • In markets or products with less liquidity clients may be subject to a wider spread with regards to pricing.
FX Risk	• FX risk and currency basis risk is typically only applicable with regards to the Cross Currency Swap valuation albeit there can be occasions where the currency of collateral being posted under any collateralised trading line will impact trade valuation. • Currency swap valuation requires observation of several market parameters and given that these trades often involve long term exchange of notional amounts in different currencies, these trades can carry significant market and credit risks

Interest Rate Swap, Cap / Floor, Cross Currency Swap, Swaption, Inflation Swap, Callable Swap – Key Risks & Features

The above products allow clients to reduce risks and exposures created by movements in interest rates, FX or inflation and are generally linked to financing arrangements such as loans or bonds. These products are generally used to manage cash flow or fair value volatility and reduce risks presented by interest rate or inflation fluctuations.

Risk / Feature	Commentary
Concentration Risk	• Concentration Risk is not applicable to these products.
Conflicts	• Investec Europe may take and /or hold positions that conflict with those of our clients. • Conflicts arising from Investec Europe's business model, such as the one noted above, are managed through internal controls and process and is detailed in the Conflicts of Interest policy which can be found on the website.
Transparency	• In most major currencies, Interest Rate markets are relatively transparent with live market pricing available via various sources and advisors • Where markets are less transparent, for example with infrequently traded inflation indices, it can be challenging to form an assessment of a contract's fair value.
Margin	• Investec Europe may, from time to time, request that a client posts collateral against a trading position , subject to the specific arrangements agreed between Investec Europe and client. These funds are required in order to protect Investec Europe from losses should a client default on their obligations or become insolvent. • A client that has funds held by Investec Europe as collateral is also exposed to the credit risk outlined above

Interest Rate Swap, Cap / Floor, Cross Currency Swap, Swaption, Inflation Swap, Callable Swap – Key Risks & Features

The above products allow clients to reduce risks and exposures created by movements in interest rates, FX or inflation and are generally linked to financing arrangements such as loans or bonds. These products are generally used to manage cash flow or fair value volatility and reduce risks presented by interest rate or inflation fluctuations.

Risk / Feature	Commentary
Contingent Liabilities	• Derivative products can carry contingent liabilities. For example, with finance linked transactions, it may be that a client is legally required to terminate hedges ahead of scheduled maturity .
Exit Costs	• These products rarely have explicit exit fees that are payable above and beyond a client's contractual close-out price / obligations should they wish to close a position early, however there may be costs involved in this process depending upon market conditions at the time the client wishes to exit. A client may not be able to redeem full original value of the contract. • A clients ability to exit early will also be dependent upon the liquidity of the market at the time, should a market be illiquid at the point of early exit then the exit costs are likely to be more significant. • Where hedges mature in line with their original contract term, then no additional hedge related costs are typically payable provided the client satisfies their contractual obligations.
Leverage	• Net sold optionality creates a gearing effect on both risks and returns.
Interest Rate Risk	• All products listed above are exposed to an element of interest rate risk as future expected cash flows are typically discounted at relevant prevailing market interest rates in order to ascertain the fair value of the instrument. Where instruments are used to reduce exposure to interest rates, be that floating interest rates payable under a loan, or the fair value of debt obligations issued in form of a fixed rate bond given that these trades are often long term in nature they can carry significant market and credit risks.