

## **Risk Disclosure Statement**

1. A CFD is a contract for difference derivative transaction providing synthetic exposure to an underlying asset (in this case, South African listed equity securities).
2. It is important that the Investor fully understand the risks involved before making a decision to purchase or sell a CFD.
3. This notice provides information about the risks associated with CFDs, but it cannot explain all of the risks or how such risks relate to the Investor's personal circumstances.
4. The Investor should carefully consider whether such investments are suitable for the Investor in the light of the Investor's circumstances and financial position. CFDs are not suitable for everyone and, if the Investor is in any doubt, professional advice should be obtained.
5. If the Investor chooses to enter into a trading relationship with Investec, it is important that the Investor remains aware of the risks involved, that the Investor has adequate financial resources to bear such risks and that the Investor monitors the CFD Orders, CFDs and Margin Account carefully and regularly.

### **6. The Investor could lose more than the Initial Amount**

The risk of loss arising from trading in CFDs can be substantial and the Investor could lose more than the Initial Amount and any additional amounts, including Margin Adjustment Payments, paid into the Margin Account. CFD trading typically only requires depositing a small percentage of the total trade value (Required Margin Amount), but profits and losses can quickly exceed the Required Margin Amount, requiring Margin Adjustment Payments. If the market moves against a Long CFD Position or a Short CFD Position, the Investor might, in a relatively short time, sustain more than a total loss of Margin in the Margin Account.

### **7. CFDs are over-the-counter (OTC) derivatives**

- 7.1. CFDs are not traded on The JSE or any exchange at present. Each CFD purchased or sold through the CFD System results in the Investor entering into a contract with Investec, as the issuer of the CFD. These contracts can only be closed with Investec and are not transferrable to any other person.
- 7.2. This means that the Investor will be exposed to the risk of Investec default and that such trading is not guaranteed by the JSE.

### **8. Gearing or Leverage**

- 8.1. Derivative instruments, such as the CFDs, can be highly volatile. The high degree of "gearing" or "leverage" which is often obtainable in CFDs stems from the payment of what is a comparatively modest Required Margin Amount when compared with the value of the underlying Reference Securities. As a result, a relatively small market movement can, in addition to achieving substantial gains where the market moves in the Investor's favour, result in substantial losses which may exceed the Margin in your Margin Account where the market moves against the Investor.
- 8.2. The Investor must ensure that there is sufficient Margin available in the Margin Account at all times when Long CFD Positions and/or Short CFD Positions are outstanding. A decline in the value of the Reference Securities may cause Investec to require the Investor to make Margin Adjustment Payments to avoid the forced Close-out of the relevant CFD or the forced Close-out of the Investor's other existing CFDs. The Investor will be responsible for any losses incurred and any shortfall in the Margin Account after such Close-out.

## **9. Changes in margin requirements**

- 9.1. As may be required by market conditions or otherwise in Investec's discretion, Investec can increase the Required Margin Amounts and other rates (as set out in this Agreement )at any time subject to the notice requirements contained in this Agreement.
- 9.2. These changes may, in certain circumstances, take effect immediately and may result in the Investor being required to make a Margin Adjustment Payment. If the Investor fails to make the Margin Adjustment Payment, Investec is entitled to follow the Close-out Procedure detailed in this Agreement.

## **10. Lack of liquidity**

- 10.1. Under certain market conditions, it may be difficult or impossible to Close-out a CFD. This may occur, for example, where trading on the Reference Security Exchange is suspended or restricted at times of rapid price movement.
- 10.2. If there is no liquidity in the relevant Reference Security, the Investor may be unable to trade CFDs referencing that Reference Security.

## **11. No right to, or in respect of, the Reference Securities**

No CFD can be settled by either party by delivering any underlying Reference Securities. A CFD shall not confer on either party any right, title or interest in any Reference Securities, entitle either party to any voting rights or other rights of corporate action in respect of the Reference Securities, or entitle or oblige either party to acquire, receive, hold, deliver or dispose of any Reference Securities or other securities.

This risk warnings statement cannot disclose all risks of purchasing and selling CFDs. The Investor should consult professional advisors regarding any legal, regulatory, credit, tax or accounting aspects that may be applicable to any CFD.

**Product supplier disclosures**

CFDs are offered and traded through Investec Capital Markets, a division of Investec Bank Limited Limited, Registration Number:1969/004763/06, an Authorised Financial Service provider FSP 11750 As required by the Financial Advisory and Intermediary Services Act (“FAIS”), our details are as follows:

Physical Location: 100 Grayston Drive, Sandton, Sandown, 2196.

Postal: PO Box78055, Sandton, 2146

Telephone: 011 286 7000

**Compliance Officer Details:**

Name: Poendree Reddy ICM Compliance and Legal Department

Email: [TTMLegalCompliance@investec.co.za](mailto:TTMLegalCompliance@investec.co.za)