



GENERAL RISK WARNING CONCERNING FINANCIAL INSTRUMENTS

This document does not pretend to describe all risks inherent in investments in financial instruments. Its objective is rather to give basic information and to warn clients about the risks inherent in all investments in financial instruments. The client should not enter into any investment transaction before being sure that he has fully understood the nature of the transaction and all risks involved. The client must carefully examine the nature of the transaction taking in account his experience, his objectives, his assets and any other relevant circumstances.

I. General risks

1. Economic risk

Prices of the financial instruments are always influenced by changes in the activity of a market economy, and fluctuate in line with such activity. The duration and extent of economic ups and downs vary, as do the repercussions of those variations on the different market sectors. In addition, different countries' economic cycles differ from each other. Failure to take these factors into account as well as an incorrect analysis of an economy's development when taking an investment decision may lead to losses being incurred. The effect of an economic cycle on prices must therefore be taken into account.

2. Inflation risk

Currency devaluations may cause an investor to incur financial loss. Therefore, it is important for investors to take into account the real value of their existing assets as well as the real realizable yield on this portfolio. For the purpose of calculating this yield, real interest rates should be taken into account, that is, the difference between the nominal interest rate and the inflation rate.

3. Country risk

It may happen that a foreign debtor, although solvent, cannot repay the principal and interest on loan at maturity or may even completely default on the loan due to the unavailability of foreign currency or limits on foreign currency transfers in the debtor's country of origin. Country risk includes the danger of economic as well as political instability. Consequently, payments to which the investor is entitled may be defaulted on in the event of the ensuing unavailability of foreign currency or limits on foreign currency transfers. With regard to securities issued in a foreign currency, investors risk receiving loan repayments in a currency that is no longer convertible because of exchange controls. No means of shielding oneself against such risks exist.

4. Exchange rate risk

Since foreign exchange rates fluctuate, exchange rate risk exists whenever financial instruments are held in a foreign currency.

The essential factors affecting a country's foreign exchange rate are a country's inflation rate, the gap between domestic and foreign interest rates, and the assessment of economic trends, the political situation and safety of the investment. Additionally, psychological factors, such as internal political crises, may weaken a domestic currency's exchange rate.

5. Liquidity risk

Insufficient market liquidity may prevent investors from selling financial instruments at market prices. Fundamentally, a distinction has to be made between a lack of liquidity caused by the laws of market supply and demand and lack of liquidity due to financial instruments' characteristics or to market practice.

A lack of liquidity due to market supply and demand arises when a financial instrument is almost exclusively in supply (seller's price or bid) or almost exclusively in demand (buyer's price or offer) at a certain price.

Under such circumstances, buy or sell orders cannot be carried out immediately and or only partially (partial execution) and/or at unfavourable conditions. In addition, higher transaction costs may apply. A lack of liquidity due to financial instruments' inherent characteristics or to market practice may occur, for example, because of lengthy transcription procedures for transactions involving registered shares, long performance delays because of market practice, other trading restrictions or a short-term need for liquidity that cannot be covered through sales of securities.

6. Psychological risk

Irrational factors may affect the overall performance of financial instruments on stock exchanges such as trends, opinions or rumours likely to cause share prices to drop substantially even if the future prospects of the companies affected thereby have not evolved unfavourably.

7. Credit risk

Purchases of securities financed through loans are associated with additional risks. Supplementary collateral may be required if the prices of the pledged assets move such that the credit limit guaranteed by the pledge is exceeded. If the investor is unable to provide the additional collateral, the bank may be forced to sell the deposited securities at an unfavourable moment. Furthermore, the loss incurred due to an unfavourable movement in the price of a financial instrument may exceed the initial investment amount. Fluctuations in the prices of pledged securities may hinder the investor's ability to repay the loans.

Investors need to be aware that, due to the leverage factor accompanying the purchase of credit-financed securities, the sensitivity to price fluctuations of such investments will be proportionally greater. As a consequence, chances for gain increase, as do risks of loss. The extent of those risks will depend on the amount of leverage associated with the investment: the greater the leverage, the greater the risks.

8. Tax risk

The tax risk can arise as a result of unclear legislation concerning the tax aspect of financial instruments. The obscurities are possibly related to, among other things, the taxation rate, the application of tax measures. Also a modification of the taxation concerning the family formation: divorce, death, testamentary provisions, can have possible tax consequences on the financial instruments. These obscurities can be present at the coming in to force of the legislation, but are able to arise later. For foreign financial instruments tax treaties, between several governments, can also have an influence on the financial output.

9. The risk linked to the use of computerized resources to carry out financial operations

Each computerized system has its own user interface with a specific terminology and with its own methodology to execute the desired instruction. The used terminology can differ from language area to language area, the result being that a locally used term can have a different content in another language area. For lack of sufficiently knowledge of the user interface, wrong orders can be passed on. The simplicity and the speed with which the orders are passed can create undesirable transactions.

II. Specific risks

A. Bonds

Bonds are negotiable debt instruments issued in bearer, registered or dematerialized form by a company or a government body to creditors and whose par value at issuance represents a fraction of the total amount of the debt. The interest payments on bonds may be either fixed or variable. The duration of the debt as well as the terms and conditions of repayment are determined in advance. The purchaser of a bond (the creditor) has a claim against the issuer (the debtor).

Characteristics:

- * Yield: depends on the coupon, duration and price
- * Duration: short-term (up to 4 years), medium term (4-8 years), long-term (more than 8 years)
- * Repayment: unless stipulated otherwise, the bond is repaid either at the maturity date, or by means of annual payments, or at different dates determined by drawing lots
- * Interest: depends on the terms and conditions of the bond; e.g., fixed interest for the entire duration or variable interest often linked to reference rates (e.g., FIBOR or LIBOR).

Risks:

1. Insolvency risk

The issuer risks becoming temporarily or permanently insolvent, thus entailing its incapacity to repay the interest or redeem the bond. The solvency of an issuer may change due to general economic conditions and/or to changes specific to the issuing company, the issuer's economic sector and/or the countries concerned as well as political developments with economic consequences. Deterioration of the issuer's solvency will influence the price of the securities it issues.

2. Interest rate risk

Uncertainty concerning interest rate movements means that purchases of fixed-rate securities carry the risk of a fall in the prices of the securities if interest rates rise. The longer the loan duration and the lower the interest rate, the higher a bond's sensitivity to a rise in the market rates.

3. Early redemption risk

The issuer of a bond may include a provision allowing early redemption of the bond if market interest rates fall. Such early redemption may result in a change to the expected yield.

4. Risks specific to bonds redeemable by drawing

Bonds redeemable by drawing have a maturity that is difficult to determine, so unexpected changes in the yield on these bonds may occur.

5. Risks specific to certain types of bond

Additional risks may be associated with certain types of bond, e.g., floating rate notes, reverse floating rate notes, zero bonds, foreign currency bonds, convertible bonds, subordinated bonds, etc.

For such bonds, the investor is advised to make inquiries about the risks referred to in the issuance prospectus and not to purchase such securities before being certain that all risks are fully understood.

In the case of subordinated bonds, investor must beforehand enquire about the ranking of the debenture compared to the issuer's other debentures. Indeed, if the issuer becomes bankrupt, those bonds will only be redeemed after repayment of all higher ranked creditors.

In the case of reverse convertible notes, there is a risk that the investor will not be entirely reimbursed, but will receive only an amount equivalent to the underlying securities at maturity.

B. Shares

MiFID: Shares traded on regulated market – Shares traded on non regulated markets

According to the implementation in the Belgian law of the European Directive Markets in Financial Instruments (MiFID), the bank distinguishes non complex financial products (for which no knowledge- and experience test is required) and complex financial products (for which a knowledge- and experience test is required). The bank considers shares traded on regulated markets as non complex financial products. Shares traded on non regulated markets are considered as complex products.

Shares are bearer, registered or dematerialized financial instruments representing a shareholder's rights in a company. One share represents a fraction of a corporation's share capital.

Characteristics:

- * Yield: possible dividend payments and increase in value of the security
- * Shareholder's rights: financial and ownership rights: those rights are determined by law and the issuing company's articles of association
- * Transferability: unless otherwise provided, transfers of bearer shares do not entail any formalities. However, transfers of registered shares are often subject to limitations

Risks:

1. Company risk

A share purchaser does not lend funds to the company, but makes a capital contribution and, as such, becomes a co-owner of the corporation. He thus participates in its development as well as in chances for profits and losses, which makes it difficult to forecast the precise yield on such an investment. An extreme case would be if the company went bankrupt, thereby wiping out the total sums invested.

2. Price risk

Share prices may undergo unforeseeable price fluctuations causing risks of loss. Price increases and decreases in the short, medium and long-term alternate without it being possible to determine the duration of those cycles. General market risk must be distinguished from the specific risk attached to the company itself. Both risks, jointly or in aggregate, influence the evolution of share prices.

3. Dividend risk

The dividend per share mainly depends on the issuing company's earnings and on its dividend policy. In case of low profits or even losses, dividend payments may be reduced or not made at all. There also companies which have as policy not to distribute any dividends.

C. Funds

MiFID "UCITS Funds" – "Non UCITS Funds"

According to the implementation in the Belgian law of the European Directive Markets in Financial Instruments (MiFID), the bank distinguishes non complex financial products (for which no knowledge- and experience test is required) and complex financial products (for which a knowledge- and experience test is required). The bank considers UCITS Funds as non complex financial products. Non UCITS Funds are assimilated to complex products.

1. Investment funds

Investment funds have no legal personality. They are the joint property of the participants (= co-owners) who have brought the funds and are managed by a company on their behalf. Their objective is to place funds from a number of investors in different assets based on the risk-spreading principle and enabling its shareholders or members to benefit from the results of the management of their assets.

Characteristics:

*Open-ended-funds: the number of shares and participants in an open-ended fund is not fixed. An open-ended fund may issue additional shares as well as redeem shares already in issue. From an investor's point of view, the fund is obliged to redeem shares at the agreed redemption price and according to contractual provisions

*Closed-end funds: the number of shares issued in a closed-end fund is limited to a specific number. In contrast to open-ended funds the fund is not obliged to redeem outstanding shares. Shares may only be sold to third parties or, in some cases, on a stock exchange. The price obtained is determined on the basis of supply and demand.

Risks:

1. Management risk

Since the return on investment fund shares depends, among other factors, on the skills and quality of decisions made by the fund managers, errors of assessment can lead directly to losses.

2. Risk of a drop in prices

Investment fund units or shares are exposed to the risk of a drop in their prices. Such price diminutions reflect the decrease in value of the securities or currencies comprising the fund's asset portfolio. The more diversified the fund, the lower the risk of losses. Inversely, risks are more important for more specialized and less diversified funds. It is therefore important to pay attention to the general and specific risks attached to financial instruments and currencies in which a fund invests.

The investor may obtain information about a fund by consulting, among other sources, its prospectus.

2. Sicavs

A *sicav*, which is the French acronym for open-ended investment company, has a legal personality. They are investment companies in the form of a *société anonyme* (SA) or a *société en commandite par actions* (SCA). Investors become shareholders and receive a number of units proportionate to their contributions. Each unit carries earnings in proportion to the revenues collected by the Sicav. These revenues are either redistributed to unitholders or are capitalised i.e. reinvested in the company. The tax treatment of investment companies is fundamentally different to investment funds.

Characteristics:

* Main characteristic: the investor may at any time invest in or withdraw from a sicav; the sicav may at any time without formality increase its share capital through the issue of new shares or conversely reduce its capital by selling existing shares.

* Each transaction is carried out at the prevailing net asset value.

The net asset value corresponds to the market value per share of the net asset value of the portfolio. This net asset value is calculated periodically, most often on a daily basis, and is published in the financial press. It is published a slightly later date - the values of a portfolio on a given day can in fact only be calculated the day after, when all the share prices are known.

* Sicavs can be divided into sub-funds: this means that a sicav can be made up of various forms of securities, each of which correspond to a separate part of the company's assets. When a sub-fund makes an issue, a prospectus explaining its exact investment policy is issued to investors. Investors may convert shares invested in one sub-fund into shares of another sub-fund for a modest fee.

* The appropriate monitoring body of the sicav checks that the investment rules are followed

Risks:

1. Insolvency risk: negligible. The risk of a sicav going bankrupt is practically zero.

2. Liquidity risk: shares can always be sold under market conditions subject to exit fees.

3. Foreign exchange risk: zero if the sicav is invested solely in euros, high if the sicav invests in volatile currencies, without hedging of foreign exchange risk and if the protected capital is not in euros.

4. Interest rate risk: In general, an interest rate rise has a negative impact on the price of the shares and indirectly on the value of a sicav.

5. Price volatility risk: is determined through general developments on the stock exchange on which the sicav invests. Volatility is lower than for an individual share.
6. Risk of absence of revenues: capitalisation sicavs do not distribute dividends.

3. Trackers

The term trackers, sometimes referred to as index shares, is used to describe a special form of investment. In fact these are funds or baskets of shares listed on the stock exchange in the same way as shares.

These products offer the performance of an index or a basket of shares and combine the advantages of shares (simplicity, continuous quotations etc) with those of traditional funds (access to vast choice of stocks, diversification.

Characteristics:

* Easy to use and understand: instead of investing in one single share at a time, funds are invested in a group of companies, in other words in an index or a basket of shares.

So the investor has access to a diversified portfolio through a single transaction.

* Transparency: the daily notification of the composition of the fund and of the net asset value and the continuous disclosure of the net asset value of each tracker fund provides investors with good visibility on the performance of their investment. As the price of the tracker reflects a fraction of an index e.g. 1/10th or 1/100th its performance is particularly easy to monitor.

* Versatility: trackers are suited to all types of investments for any type of investor: as a first stock market investment, long-term investment, index-based strategies, treasury management, combination with derivatives of the same underlying instrument, hedging instruments, arbitrage strategies.

* Economical: the purchase or sale of a tracker is better value than purchasing or selling each of the shares which make up the underlying basket. Also the broker expenses are similar to those for shares and the management fees of the fund are low.

* Liquid: Diverse strategies generating natural liquidity: trading in the basket of shares, options and futures transactions, market-making and longer term investment.

Risks:

1. Insolvency risk: Negligible because trackers are issued by banks.

2. Liquidity risk: No. The owners of tracker funds have the option to sell their tracker very easily at the market price at any time during the listing period.

3. Foreign exchange risk: depends on the underlying portfolio (see prospectus). Zero if the underlying shares are denominated in euros. May be significant for funds denominated in other currencies.

4. Interest rate risk: in general, a rise in interest rates has a negative effect on the price of the shares and therefore on the indices and therefore on the trackers which are baskets of shares.

5. Price volatility risk: the price of a tracker fund may fluctuate just like a share. However as the index is based on a diversified basket of shares, the tracker is not subject to very high fluctuations.

D. Options

Options are derivative instruments whose value varies in proportion to variations in the value of the underlying asset. The purchaser of an option receives, on payment of a premium to the counterpart, the seller of the option, the right to purchase (call) or to sell (put) the underlying asset at maturity or during a certain period at a pre-determined exercise price.

Characteristics:

*Duration: the duration of the option starts from the day of subscription until the day the option right matures

* Link between the option and the underlying asset: this link characterizes the number of units of the underlying asset that the holder of the option has the right to purchase (call option) or to sell (put option) by exercising his option right

* Strike or exercise price: the exercise price is equal to the pre-agreed price at which the holder of the option may purchase or sell the underlying asset when exercising the option

* Leverage: any change in price of the underlying asset entails a proportionally higher change in the price of the option premium

Purchase of a call or a put: the buyer of a call option speculates on a rise in the price of the underlying during the lifetime of the option, resulting in an increase of the value of the option. Conversely, the buyer of a put option would profit from a drop in the price of the underlying.

Sale of a call or a put: the seller of a call option expects the price of the underlying asset to drop whereas the seller of a put can profit from a rise in the value of the underlying asset.

Risks:

1. Price risk

Options may be traded on stock exchanges or over-the-counter and follow the law of supply and demand. The option price depends on factors such as whether there is sufficient market liquidity and the real or expected price trend of the underlying asset. A call option loses value when the price of the underlying asset decreases, whereas the opposite is true for a put option. The price of an option does not solely depend on price variations of the underlying asset. Other factors may come into play, such as the duration of the option (time value) or the frequency and intensity of changes in the value of the underlying asset.

Consequently, the value of an option (premium) may decline although the price of the underlying asset remains unchanged.

2. Leverage risk

Due to the leverage effect, price variations in the option premium are generally higher than changes in the underlying asset price. Thus, the holder of an option may benefit from high gains or may incur high losses. The risk attached to the purchase of an option increases with the amount of leverage.

3. Option purchase risk

The purchase of an option represents a highly volatile investment. The likelihood of an option maturing without any value is relatively high. In that case, the investor loses the option premium as well as commissions paid for the option purchase.

The investor has three choices: he can maintain his position until maturity, try to sell the option before maturity, or, for "American" options only, exercise the option before maturity.

Exercising an option may entail either settlement of the difference between the exercise price and market price or purchase or delivery of the underlying asset. When exercising an option on a futures contract, an investor effectively takes a position in futures, which would entail acceptance of some obligations concerning security margins.

4. Option sale risk

The sale of an option requires, generally speaking, higher risk-taking than the purchase of an option. Indeed, even if the price obtained for an option is fixed, the losses the vendor may incur are potentially unlimited.

If market prices for the underlying asset vary unfavourably, the seller of the option will have to adjust his security margins to maintain his position. If the sold option is an "American" option, the seller may have to settle the transaction in cash or buy or deliver the underlying asset at any moment until expiry. If the option is on a futures contract, the seller will acquire a futures position and will have to respect his obligations concerning security margins. The seller's risk exposure may be reduced by holding a position on the underlying asset (securities, index or other) corresponding to the option sold.

E. Turbos

Characteristics:

A Turbo is an investment product that thanks to a leverage system enables to benefit from the rise or drop of the stock markets.

Risks:

With this leverage effect, a trade in Turbos is more risky than a trade in the underlying asset. If the underlying asset's quote reaches or exceeds the stop loss level, the turbo is be automatically settled and the residual value refunded to the investor. In such cases, you can loose the whole of your investment. If you invest in a turbo for which the underlying asset is listed in a foreign currency, the currency exchange effects can negatively influence the turbo's quote.

F. Warrants

Characteristics:

A warrant is a contract that gives the right to buy (call warrant) or to sell (put warrant) an underlying value during a certain period against an in advance determined price issued by a financial institution which operates the liquidity.

A warrant can have as underlying value: a stock, a bond, a currency, a market index, etc. A warrant is a right, not an obligation.

The contract indicates the quantity that must be received or transferred when the right is asserted. The exchange happens cash.

Risks:

1. Risk with regard to the issuer

The solvency of the issuer must be assured. The risk is fairly small if the issuer is a controlled institution, and only if it concerns covered warrants for which the issuer has made the effort to provide supplies by ensuring the underlying value, which can be addressed at the exercise.

2. Liquidity risk

Depends on the number of transactions with the warrant.

3. Exchange risk

This risk is non-existent for warrants, which give the right to register on new shares or obligations in euro.

4. Interest rate risk

In general, an increase of the interest rate has a negative influence on the evolution of the share prices and indirectly on the price of the warrant.

5. Risk concerning quote fluctuations

A warrant is a speculative instrument; in general the rate of it is less fixed than that of its underlying value.

6. Risk of lack of income

A warrant gives no right to income.

7. Capital risk

No capital must be refunded.

8. Other risks

The moment that the warrant is exercised, the circumstances can be less favourable than at the issuing (interest rate of the new stock which is lower than the market interest in case of an obligation or lower buy-price than the stock exchange index in case of a share). In that case, a warrant can lose its value completely.

G. Structured products

Characteristics:

A structured product is a hybrid product whose performance may depend on one or several underlying instruments such as: a basket of shares, stock market indices, currencies, commodities or even active management strategies. Structured products have maturity dates and the principal may or may not be guaranteed.

Risks:

1. Insolvency risk

The issuer and/or the guarantor run the risk of temporary or permanent insolvency. Their solvency status must be checked. The risk is relatively low if the issuer is a controlled company. The bank only works with first-class major international banks to structure and guarantee the structured products.

2. Liquidity risk

There is not necessarily a market for structured products.

3. Foreign exchange risk

Via structured products issued in euros you can invest in international financial instruments without the impact of foreign exchange variations.

4. Risk of early redemption

The issuer of a structured product has the option of early redemption. Early redemption may alter the anticipated yields.

5. Risks specific to certain structured products

Investors are invited to take into consideration the specific risks, such as interest rate risk, stated in the issue prospectus and related documents.

H. Products traded on the Keytrade Pro platform

Products traded on the Keytrade Pro platform are complex products which have the potential for a loss higher than the margin deposited. In addition to the specific risks of each of the products (see below), please take into consideration the following risks:

1. Risks connected with day trading

The day trading strategy may be defined as the trading strategy which is characterised by the submission of intra-day orders by the client for the purposes of buying and selling the same securitie(s).

- day trading is not appropriate for people with limited financial resources and/or limited experience in trading and/or low risk tolerance;
- day trading presupposes knowledge of the financial markets and functioning of the bank's order execution system;
- a consequence of day trading may be high transaction fees as a result of the number of orders executed;

2. Risks specific to margin products

- due to the level of the margin required by the bank, any change in the price of the underlying asset may result in significant losses and can exceed the value of the deposited margin by a substantial amount. Any profit or loss following a fluctuation of the underlying asset will be fully deducted from the account at the client's risk;
- if the usage of the deposited margin is exceeded, the bank may immediately close one or several of the client's open positions, in whole or in part, or realise or sell any asset in general in the customer's account with the bank without advising the client beforehand;
- the bank may increase the margin requirements without informing the client in advance.

1. CFDs

The Contract For Difference ("CFD") is a contract concluded between two parties with a view to exchanging the difference between the price of the underlying instrument upon acquisition of the contract and the price of the underlying instrument at the end of the contract multiplied by the number of units of the underlying instrument stated in the contract.

Characteristics:

CFDs do not have a maturity date and can be traded at any time. This financial instrument is traded on the OTC (over-the-counter) market. The underlying instrument covers shares or indices. If dividends are paid on the underlying shares, buyers of long contracts (speculating on a rise) receive a compensatory payment and pay interest on the market value of the position in underlying shares. These amounts are paid by the seller of the long contract. If dividends are paid on the underlying shares, buyers of short contracts (speculating on a fall) pay a compensatory payment and receive interest on the market value of the position.

The benefit of this product is the leverage effect which it causes on yield and risk. In fact the client can deal in this product without the need to make large movements of capital. The client just needs to deposit a guarantee in order to create the required initial margin. The purpose of this margin is to hedge potential losses which may result from the transaction. The contract is closed automatically if the losses exceed the guaranteed amounts.

Risks:

1. Risk attached to the type of contract: investors can only trade in CFDs if they understand the nature of the contract in which they are involved and the extent of the risks to which they are exposed.

2. Leverage effect risk: if an investor carries out transactions in products with leverage effects, the risk of sudden loss of money is high. The force of the leverage effect can play against them as easily and as quickly as it can in their favour. Investors must always apply risk minimisation strategies in order to overcome the possible poor performance on the market.

3. Interest rate risk: in the case of long positions held at the close of the trading day, the issuer must pay the day-to-day interest on the amount borrowed. In reality CFDs primarily suited to short positions, as the financial costs on long positions can absorb potential gains. Positions closed before the close of a trading day are not subject to financial costs.

Short positions in the CFDs are not subject to financial costs and even sometimes include a lower proportion of interest.

4. Voting right: investors do not hold the underlying instrument and therefore do not have rights to the underlying instrument or voting rights.

2. Forex

"Forex transaction" denotes one of the following three Contracts: (i) a foreign exchange spot contract ("Spot") is a contract according to which the parties agree to exchange given volumes of currency within a payment period that corresponds to the delivery period; (ii) an OTC currency forward contract ("Forward Outright") is a contract according to which the parties agree to exchange given volumes of currency within an agreed term generally exceeding two working days; (iii) a currency option contract gives the buyer the right to buy or sell and obligates the seller to buy or sell a fixed amount of currency against another currency, at a rate fixed in advance and on (or by) an agreed date.

Characteristics:

These contracts are traded on the OTC (over-the-counter) market.

The client needs to deposit a guarantee in order to create the required initial margin. The purpose of this margin is to hedge against the potential losses which may result from the transaction. The contract is closed automatically if the losses exceed the guaranteed amounts.

Risks:

1. Foreign exchange risk: pertaining to the foreign currency fluctuations over a period. These stocks may fall rapidly resulting in substantial losses unless stop-loss orders are used.
2. Interest rate risk: this risk may result in distortions between the interest rates of the two currencies.
3. Credit risk: the possibility that one of the parties involved in a Forex transaction does not honour its debt at the end of the contract. This may occur when a bank or a financial institution is insolvent.
4. Country risk: relates to governments which may invest in the foreign-exchange markets to limit the selling of their currency. There is more country risk with "exotic" currencies than with the principal currencies which allow free trading in their currency.
5. Leverage effect risk: in this area, the investment strategies may be linked to high levels of risk. For example, by making use of leverage effects, a small movement in the market may result in significant gains or substantial losses. In some cases, the whole of the investment may be lost.

3. Futures

Future" denotes a standardised contract traded on an organised or regulated market under the terms of which the client buys or sells a commodity or a financial product (the underlying) at a price determined when the Contract is concluded, but deliverable at a predetermined later date.

Characteristics:

These contracts have different characteristics: the underlying may be a commodity (wheat, oil, metal, etc.) or a financial product (interest rate, shares, stock exchange indices, etc.), the contract is based on a quantity (in the case of commodities) or a nominal (financial products), the quotation method is expressed in percentage or in value, the value of the contract fluctuates on the basis of the nominal fluctuation in the price (the "tick"), the contract specifies the maturity date and the method of settlement (by delivery of the underlying or in cash. Keytrade Pro offers cash settlement only). This financial instrument is traded on an organised market.

The client needs to deposit a guarantee in order to create the required initial margin. The purpose of this margin is to hedge the potential losses, which may result from the transaction. Throughout the term of the contract, an additional margin is periodically decided and required by the investor. It represents the accounting profit or loss resulting from the change in the contractual value or in the underlying instrument. The additional margin may reach a multiple amount of the initial margin. The methods for calculating the additional margin during the term of the contract or in the event of settlement are based on the stock exchange regulations or the contractual specifications in each case.

Risks:

1. Leverage effect risk: if the market moves in a way that the investor does not expect, the leverage effect may be harmful to the investor. The loss can be very high (in theory unlimited).
2. Risk of loss: for a forward purchase, the loss is limited to the amount of the purchase if the security falls. On the other hand, in the event of forward short-selling, whereby the security is not in the portfolio, there is no theoretical limit to the potential loss: If the security which is sold short experiences a major rise, the loss may be very high because in order to meet his obligation the seller will need to buy back the sold share at very high price.
3. Counterparty risk: if the counterparty is not known there is always a risk that the counterparty will not meet its commitments.
4. Foreign exchange risk: the foreign exchange risk may be high in the case of volatile currencies but it is zero for contracts in euros.
5. Price volatility risk: the Futures market is an extremely liquid one and the trading in futures on these markets is high which increases the volatility of the underlying instruments.
6. Lack of revenue: Futures do not have any revenues.