

## **TERMS OF BUSINESS**

**For Professional Clients and Eligible Counterparties**

**(Revised for MiFID II compliance, effective 3<sup>rd</sup> January 2018)**

1. **GENERAL INFORMATION**

1.1 **Information about us:** STONEHEDGE PARTNERS LLP (“SHP”, “we”, “us” or “our”) is authorised and regulated by the Financial Conduct Authority (“FCA”) FRN 592077.

Our LEI number is **21380093ILXOCSWHV09**

Our registered office is at 17 – 19 Maddox Street, London W1S 2QH, United Kingdom and our place of business is 17-19 Maddox Street, London W1S 2QH. The address of our regulator, The FCA is 25 The North Colonnade, London E14 5HS.

1.2 **Capacity:** We act as a principal, principal agent or agent depending on the market and contractual terms of that market. We will apply the term in accordance with normal market practice for the market on which you are placing and executing the order.

1.3 **Client Categorisation:** According to the information available to us, we have classified you as either a Professional Client or Eligible Counterparty and have notified you of the relevant category in a client classification notice. If you are categorised as an Eligible Counterparty, you will not receive certain protections afforded by FCA Rules as may be applicable. You have the right to request a different client categorisation. In the event you submit such a request we will inform you of whether or not we accept it and if we do accept it, of the consequences of the re-categorisation. You should note that SHP is unable to accept requests to be categorised as a Retail Client as we are not authorised by the FCA to deal with Retail Clients.

1.4 **Subject to Applicable Regulations:** This Agreement and all Transactions are subject to Applicable Regulations so that: (i) if there is any conflict between this Agreement and any Applicable Regulations, the latter will prevail; (ii) nothing in this Agreement shall exclude or restrict any obligation which we have to you under Applicable Regulations; (iii) we may take or omit to take any action we consider necessary to ensure compliance with any Applicable Regulations; (iv) all Applicable regulations and whatever we do or fail to do in order to comply with them will be binding on you; (v) such actions that we take or fail to take for the purpose of compliance with any Applicable Regulations shall not render us or any of our directors, officers, employees or agents liable; and (vi) you agree to comply with all Applicable Regulations.

1.5 **Authorisation:** You undertake to act as principal and not as agent (or trustee) on behalf of someone else, unless express written consent has been given by us for you to act in that capacity. On a continuous basis you represent and agree:

- a. If you are acting on behalf of any other person when transacting investment business with us, to the extent permitted by the Applicable Rules and Principles of the FCA (in particular principles 7 and 8), we will continue to treat you alone (rather than any other such person) as our Customer for all purposes and in relation to all obligations, and you will be liable as such. This applies even if you act on behalf of a person whom you have identified to us;
- b. If you act as agent, and we have agreed to you acting in this capacity, we shall proceed on the basis that you have undertaken all necessary steps to verify the identity of your principal to comply with any local regulatory or legal requirements;
- c. You will obtain and comply with the terms of all authorisations, consents and approvals of any government or other regulatory body necessary to enable you to perform under this Agreement, and shall provide us with copies of such consents and approvals as we may reasonably require; and
- d. You and/or your principal will be jointly and severally liable, each as if a principal, to us in respect of all obligations and liabilities to be performed by you pursuant to and in respect of any such Transaction.

1.6 **Language and minimum duration:** This Agreement is supplied to you in English and we will continue to communicate with you in English for the duration of this Agreement. The minimum duration of this Agreement shall be the earlier of either settlement of the first trade in respect of which you instruct us, or the occurrence of an Event of Default. Notice can be given in accordance with clause 7.

## 2. SCOPE AND APPLICATION

2.1 **Scope of this Agreement:** This Agreement sets out the basis on which SHP will provide services to you, and transactions carried out on your behalf by SHP. By providing instructions to us (or, for existing clients, by providing new orders or instructions to us) you agree and accept these Terms of Business. This Agreement governs each Transaction entered into or outstanding between us on or after the execution of this Agreement or when you place orders for Transactions.

## 3. NO ADVICE

3.1 **Own judgement and suitability:** We deal on an execution-only basis and do not advise on the merits of particular Transactions, or their taxation consequences therefore in asking us to enter into any Transaction, you represent that you have been solely responsible for making your own independent appraisal and investigations into the risks of the Transaction. You represent that you have sufficient knowledge, market sophistication, professional advice and experience to make your own evaluation of the merits and risks of any Transaction. We give you no warranty as to the suitability of the products traded under this Agreement and assume no fiduciary duty in our relations with you.

3.2 **Incidental information and investment research:** Where we do provide trading recommendations, market commentary or other information (“Research”) if you are (i) a MiFID II Firm or (ii) a firm to whom the MiFID II inducements and Research payment rules have been extended (whether by law, regulation or under contractual obligation), you acknowledge that if you deem any Research that we provide you with being subject to the obligations of the Commission Delegated Directive (EU) 2017/593, the Research will be governed by the terms of a Research Purchase Agreement between you and SHP.

3.3 If you are a non-MiFID II firm and you are not otherwise subject to MiFID inducements and Research payment rules, if we provide you with Research, you acknowledge that:

- a. this is incidental to your dealing relationship with us. It is provided solely to enable you to make **your own investment decisions** and does not constitute a personal recommendation or advice;
- b. we make no representation, warranty or guarantee as to the accuracy or completeness of such information or as to the investment, taxation, legal, regulatory or accounting consequences arising from your acting upon such information;
- c. any opinions given by us reflect our judgment at the date given;
- d. where information is in the form of a document containing a restriction on the person or category of persons for whom that document is intended or to whom it is distributed, you agree that you will not pass it on contrary to that restriction;
- e. we make no representation as to the time of receipt by you and cannot guarantee that you will receive such information at the same time as other clients. Any published research reports or recommendations may appear in one or more screen information service.

3.4 We maintain a Conflicts of Interest Policy for managing conflicts of interest in connection with investment research. A copy of this policy is available on request.

## 4. INSTRUCTIONS AND BASIS OF DEALING

4.1 **Authority:** We shall be entitled to act for you upon instructions given or purporting to be given by you or any person who is, or whom we may reasonably believe to be, authorised to act on your behalf without further

enquiry as to the genuineness, authority or identity of the person giving or purporting to give such instructions.

- 4.2 **Right not to accept orders:** We may, but shall not be obliged to, accept instructions to enter into a Transaction. If we decline to enter into a proposed Transaction, we shall not be obliged to give a reason but we shall promptly notify you accordingly. We may, at our discretion, refuse to accept instructions if we believe that complying with such instructions would breach FCA Rules or any other applicable law.
- 4.3 **Execution of orders:** We shall use our reasonable endeavours to execute any order promptly, but in accepting your orders we do not represent or warrant that it will be possible to execute such order or that execution will be possible according to your instructions. We shall carry out an order on your behalf only when the relevant Market is open for dealings, and we shall deal with any instructions received outside Market hours as soon as possible when that relevant Market is next open for business (in accordance with the Applicable Rules). If a Regulated Market, Multilateral Trading Facility, Organised Trading Facility, clearing house, clearing system, or other market infrastructure or authority takes any action (or fails to perform its obligations) which affects any transaction, then we may take action which we reasonably consider appropriate to correspond with such action and to mitigate any loss incurred as a result of such action, and we will not be liable for the consequences of so doing. Any action we take will be binding on you.
- 4.4 **Market Action:** If a Market (or intermediate broker or agent, acting in direction of, or as a result of action taken by a Market) or regulatory body takes any action which affects a Transaction, then we may take any action which we, in our reasonable discretion, consider desirable to correspond with such action or to mitigate any loss incurred as a result of such action. Any such action shall be binding on you. If a Market or regulatory body makes an enquiry in respect of any of your Transactions, you agree to co-operate with us and to promptly supply information requested in connection with the enquiry.
- 4.5 **Order Execution Policy and Best Execution:** If you are a Professional Client, the FCA Rules on best execution may apply. A summary of our current Order Execution Policy is provided with these Terms of Business (Order Execution Policy Schedule) and available on our website [www.stonehedge-partners.com](http://www.stonehedge-partners.com). By accepting these Terms of Business and placing orders with us, you consent to the terms of our Order Execution Policy. In particular, by placing an order with us you consent that SHP may execute your orders outside a Regulated Market, a Multilateral Trading Facility or Organised Trading Facility.
- 4.6 **Publication of Limit Orders:** In the event you place an order in respect of shares admitted to trading on a Regulated Market and the order is not immediately executed under prevailing market conditions, you instruct us not to make the order public, unless you indicate otherwise at the time of placing the order.
- 4.7 **Aggregation of orders:** We may combine your order with the orders of other clients. By combining your orders with those of other clients we must reasonably believe that this is in the overall best interests of our clients. However, aggregation may result in you obtaining a less favourable price in relation to a particular order. Further clarification is available on request.
- 4.8 **Client Money:** We are not authorised to hold Client Money, as defined by the Applicable Rules.
- 4.9 **Custody:** We are not authorised to arrange or provide safe custody services for your investments.
- 4.10 **Material Interests:** We or our associates may have interests, relationships or arrangements that are material in relation to any transaction with or for you. Our policy is to make you aware of this possibility in general terms in advance, but it may not necessarily be able to specifically to disclose such interests, relationships or arrangements to you at the time the relevant transaction is entered into.

Neither the relationship between us and any Customer nor any other matter will give rise to any fiduciary or equitable duties which would oblige us to accept responsibilities more extensive than those set out in this Agreement or which would prevent us from:

- a. Acting as agent for any connected company in respect of the investments that you are buying or selling or providing services to other persons with interests in or proposing to acquire such investments; or
- b. Dealing as agent on your behalf with a connected company or conducting an "agency cross" by matching your order with the order of another party (who may be a connected company).

Neither we nor our employees will be required to have regard to, nor have any duty to disclose to you, or utilise for your benefit any information which comes to our notice in the course on carrying on business or as a result of or in connection with services provided to other persons, or which is not known to those employees who are handling your affairs. However, the nature of our business is such that there is unlikely to be any privileged information that could be used by us for our own interests ahead of the interests of our customers. Any conflicts of interest arising as a result are managed and addresses in accordance with the policies set out in our Conflicts of Interest Policy, which is available upon request.

- 4.11 **Placing of instructions:** You may give us instructions in writing, by email or other electronic means or orally, unless we have agreed with you that instructions can only be given in a particular way. We have the right, without explanation, to refuse to take instructions from you; provided we give prompt notice of such refusal. We will not be liable for any action we take in good faith, pursuant to receipt of instructions from you, nor will we be responsible for verifying the accuracy of instructions received from you. Subject to compliance with applicable regulations all telephone conversations and other relevant electronic communications that may potentially lead to a transaction will be recorded. If any instructions are received by us by telephone, computer or other electronic medium we may ask you to confirm such instructions in writing. We shall be authorised to follow instructions notwithstanding your failure to confirm them in writing. Instructions for the simultaneous sale and purchase of a security on behalf of the same beneficial owner may not be given under this Agreement. In this Agreement "instructions" and "orders" have the same meaning.
- 4.12 **Intermediate brokers and other agents:** We may, at our entire discretion, arrange for any Transaction to be effected with or through the agency of an intermediate broker, who may be an Associate of ours, and may not be in the United Kingdom. Such transaction will be subject to the terms and conditions of any intermediate broker or Associate and the customs and regulations of the relevant market, exchange and clearing house. Neither we nor our respective directors, officers, employees or agents will be liable to you for any act or omission of an intermediate broker or agent. No responsibility will be accepted for intermediate brokers or agents selected by you.
- 4.13 **Performance and settlement:** You will solely be responsible for all performance and settlement obligations.
- 4.14 **Regulatory Reporting:** Under Applicable Regulations, transaction reports must be made with respect to transactions in financial instruments admitted to trading on a Regulated Market or Prescribed Market. We will not submit transaction reports on your behalf. Additionally, we may be obliged to make information about certain transactions public (Trade Reporting). You agree and acknowledge that any and all proprietary rights in such transaction information are owned by us and you waive any duty of confidentiality attaching to the information that we reasonably disclose under the Applicable Regulations. Stonehedge Partners will not act as a Systematic Internaliser.
- 4.15 **Charges:** We shall charge you fees, relevant taxes, and other charges calculated on such a basis as may have been agreed between us and you or, in default of any such agreement on such basis as we consider reasonable, together with any applicable taxes. We will notify the amount of any such charge to you. If you default in paying any amount when it is due, we may require that you pay us interest at a rate equal to the prevailing effective cost of funds to us from time to time in the relevant currency as determined by us and notified to you in writing.

If applicable, you will be responsible for the payment of any tax and any brokerage fees, transfer fees, registration fees, stamp duty and all other liabilities, charges, costs and expenses payable or incurred by us in connection with our services to you hereunder.

4.16 **Remuneration and sharing of charges:** We may receive remuneration from, or share charges with, an Associate or other third party in connection with Transactions carried out on your behalf. Details of such remuneration or sharing arrangements are available on request.

## 5. CONFIDENTIALITY & DATA PROTECTION

5.1 **Confidentiality:** Subject to the following we will treat all information we hold about you or your account or Transactions as confidential, even when you are no longer a client. You agree, however, that we may disclose this information to those who provide services to us or act as our agents; to anyone to whom we transfer your positions for settlement or propose to transfer any of our rights or duties under this Agreement; to credit reference and agencies or other organisations that help us and others to reduce the incidence of fraud or in the course of carrying out identity, fraud prevention or credit control checks; to regulators and law enforcement agencies, in any jurisdiction, where we are required to do so by Applicable Regulations, or where there is a public duty to disclose or our interests require disclosure; at your request; or with your consent.

5.2 **Data protection:** You hereby consent to us using and processing any information relating to you, including holding such information in an electronic database. Subject to the provisions of section 12 (Confidentiality), this information may be disclosed and used by us unless specific written instructions to the contrary are received from you.

## 6. EVENTS OF DEFAULT

6.1 **Events of Default:** The following shall constitute Events of Default:

- a. A party commences a voluntary case or other procedure seeking or proposing liquidation, reorganisation, moratorium, or other similar relief with respect to itself or to its debts under any bankruptcy, insolvency, regulatory, or similar law or seeking the appointment of a trustee, receiver, liquidator, conservator, administrator, custodian, examiner or other similar official (each a "**Custodian**") of it or any substantial part of its assets, or takes any corporate action to authorise any of the foregoing;
- b. An involuntary case or other procedure is commenced against a party seeking or proposing liquidation, reorganisation, or moratorium, or other similar relief with respect to it or its debts under any bankruptcy, insolvency, regulatory, or similar law or seeking the appointment of a Custodian of it or any substantial part of its assets;
- c. Any representation or warranty made or given or deemed made or given by a party under this Agreement proves to have been false or misleading in any material respect as at the time it was made or given or deemed made or given;
- d. If you fail to perform any of your obligations to us under any agreement between us and (where capable of remedy) do no remedy such failure within 7 days after we serve on you written notice relating to such failure; or
- e. Any event of default (however described) occurs under any other agreement to which either party is party to or any other event specified for these purposes in the Individually Agreed Terms Schedule or otherwise occurs.

## 7. AMENDMENT AND TERMINATION

7.1 **Amendment:** If we or you make any material change to this Agreement, we or you will give at least ten business days written notice to the other party, (unless it is impracticable in the circumstances for us to give you that much notice). Such amendment will become effective on the date specified in the notice. Any other amendment must be agreed in writing between us.

7.2 **Termination:** Unless required by Applicable Regulations, either party may terminate this Agreement (and the relationship between us) by giving ten days written notice of termination to the other. We may terminate this Agreement immediately if you fail to observe or perform any provision of this Agreement or in the event of your

insolvency other than in the case of force majeure.

- 7.3 **Existing rights:** Termination will not affect any outstanding Transaction or order or any legal rights or obligations which may already have arisen or may arise from the settlement or fulfilment of any outstanding Transaction or order (including any obligation to reimburse or indemnify the us or to pay for any investments acquired by us on your behalf or sold by us to you). You are required to settle outstanding transactions by delivery and/or payment and to pay any fees or commissions accruing to us immediately on termination, failing which we may exercise the rights and remedies referred to in sections 10 (Risk Management) and 11 (Setoff).

## 8. CONTRACT AND CONFIRMATION NOTES

- 8.1 We shall confirm details for any Transactions that we have executed on your behalf on trade date or at latest, by end of the next trading day.
- 8.2 Such confirmation will be in electronic form (by electronic mail to the e-mail address or other electronic address notified by you) in which case such electronic form shall have the same effect as if served on you in written hard copy, or by other such means as agreed between you and us.
- 8.3 It is your responsibility to inform us of any change to your e-mail/electronic address, the non-receipt of a confirmation, or whether any confirmations are incorrect before settlement. Confirmations shall, in the absence of manifest error, be conclusive and binding on you, unless we receive from you objection in writing within two Business Days of despatch to you or we notify you of an error in the confirmation within two Business Days.

## 9. EXCLUSIONS, LIMITATIONS AND INDEMNITY

- 9.1 **Force Majeure:** We shall not be liable to you for any partial or non-performance of our obligations hereunder by reason of any cause beyond our reasonable control, including without limitation any breakdown, transmission errors, technical faults, malfunctions, illegal intervention in network equipment, network overloads, malicious blocking of access by third parties, internet malfunctions, interruptions or other deficiencies on the part of internet service providers, other delay, malfunction or failure of transmission, communication or computer facilities, industrial action, act of terrorism, act of God, fire, acts and regulations of any governmental or supra national bodies or authorities or the failure by the relevant intermediate broker or agent, agent or principal of our custodian, sub-custodian, dealer, Market, clearing house or regulatory or self-regulatory organisation, for any reason, to perform its obligations. Nothing in this Agreement will exclude or restrict any duty or liability we may have to you under the regulatory system (as defined in the Applicable Rules), which may not be excluded or restricted hereunder.
- 9.2 **General Exclusion:** Neither we nor our directors, officers, employees, or agents shall be liable for any losses, damages, costs or expenses, whether arising out of negligence, breach of contract, misrepresentation or otherwise, incurred or suffered by you under this Agreement (including any Transaction or where we have declined to enter into a proposed Transaction) unless such loss is a reasonably foreseeable consequence or arises directly from our or their respective gross negligence, wilful default or fraud. In no circumstance, shall we have liability for losses suffered by you or any third party for any special or consequential damage, loss of profits, loss of goodwill or loss of business opportunity arising under or in connection with this Agreement, whether arising out of negligence, breach of contract, misrepresentation or otherwise. Nothing in this Agreement will limit our liability for death or personal injury resulting from our negligence.
- 9.3 **Indemnity:** You shall pay to us, and our agents, such sums as we may from time to time require in or towards satisfaction of any debit balance on any of your accounts with us and, on a full indemnity basis, any losses, liabilities, obligations, acts, proceedings, claims, demands, damages, penalties, actions, judgements, suits, costs or expenses (including legal fees), taxes, imposts, levies and disbursements of any kind or nature whatsoever which we may incur or be subjected to or have imposed upon us or assessed against us, with respect to any of your accounts as a direct or indirect result of us acting under this Agreement including, (without limitation),

entering into any Transaction or any matching Transaction on a Market or with an intermediate broker or acting upon any instructions received from you, in respect of which you or any counterparty or bank do not make good and timely delivery or payment save where we are negligent or in wilful default or as a result of any misrepresentation by you or any violation by you of your obligations under this Agreement (including any Transaction) or by the enforcement of our rights References to 'us' in this section 9.3 include references to any director, officer, employee or agent of ours.

## 10. RISK MANAGEMENT

10.1 At any time after termination of these arrangements with you in accordance with Section 7 (Amendment and Termination) or after we have determined that you have not performed or that you are unlikely to perform any of your obligations to us, we may, without reference to you

- a. Treat any or all outstanding Transactions as having been immediately cancelled and terminated; and/or
- b. Close out replace or reverse and such transaction, enter into any other transaction or take, or refrain from taking, such other action at such time or times and in such manner as, in our absolute discretion, we consider necessary or appropriate to cover, reduce or eliminate our loss or liability under or in respect of any Transaction, position or commitments undertaken from you; and/or
- c. If any outstanding Transactions are non-cash settled Transactions, determine the market value of those transactions we in our absolute discretion think and attribute to those transactions a cash settlement amount to be due and payable; and/or
- d. Take any other steps (whether or not similar to the above) which we may consider to be necessary to meet any obligations which you have under this Agreement or otherwise to protect our position.

10.2 Any cost of (or losses incurred in) effecting section 10.1 (a), (b), (c) or (d) above or in effecting any related transactions will be for your account. The provisions in this section 10 are without prejudice to the provisions of section 11 below and, for the avoidance of doubt, apply even in the circumstances referred to in section 11.1 below.

## 11. SETOFF

11.1 **Set-off:** Without prejudice to any other rights to which we may be entitled, we may at any time and without notice to you set off any amount (whether actual or contingent, present or future) owed by you to us against any amount (whether actual or contingent, present or future) owed by us to you. For these purposes, we may ascribe a commercially reasonable value to any amount that is contingent or which for any other reason is unascertained.

## 12. CONFIDENTIALITY

12.1 You undertake to keep all information you receive in connection with this Agreement confidential, and not to disclose any such information to any third party except as permitted under this agreement or as required or permitted by law or Applicable Regulations.

12.2 We undertake to keep all information we receive in connection with business transacted pursuant to this Agreement confidential and not to disclose any such information to any third party except as permitted under this Agreement or as required by law or Applicable Regulations. You hereby agree that we may disclose to the FCA and to any other regulatory authority to which we are subject and to any securities, options or futures market or exchange on which we may deal or to the related clearing house of any such market exchange (or to investors, inspectors or agents appointed by them) or to any person empowered to require such information they may request or require relating to you or if relevant any of your or our dealings with or for you or any customer.

12.3 The obligations set out in sections 12.1 and 12.2 above shall not apply to any information which (i) at the time of disclosure is in the public domain; (ii) after disclosure comes into the public domain for any reason except as a result of a breach of the undertakings in this section 12; (iii) was lawfully in the receiving party's possession prior to disclosure; or (iv) is subsequently received from a third party without obligations of confidentiality.

13. **TELEPHONE RECORDING**

13.1 **Recording of calls:** In order to assist us in monitoring compliance with the Applicable Rules and to avoid misunderstandings, we will make and keep a sound recording of telephone conversations. Telephone conversations may be recorded, without use of a warning tone, to ensure that the material terms of the Transaction, and any other material information relating to the Transaction is promptly and accurately recorded.

13.2 Such recordings shall be and remain our sole property and will be accepted by you as conclusive evidence of the orders, instructions given or the conversations so recorded. You agree that we may deliver copies or transcripts of such recordings to any court, arbitrator or regulatory authority.

14. **COMPLAINTS**

14.1 In the event that you are dissatisfied with the service which you receive under this Agreement you should contact your representative in the first instance or, if you do not wish to do this, our Compliance Officer, who will deal with your complaint in accordance with our complaints handling procedure.

14.2 **Complaints procedure:** Our internal procedures ensure complaints are handled fairly and promptly. You may submit a complaint to us, for example by letter, telephone, e-mail, or in person. We will send you a written acknowledgement of your complaint promptly following receipt, enclosing details of our complaints procedures.

15. **THIRD PARTIES**

15.1 This Agreement shall be for the benefit of and binding upon us both and our respective successors and assigns.

15.2 **Third Party Rights:** Other than our Associates, a person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of the terms of this Agreement.

16. **CRIME PREVENTION**

16.1 **Anti-Money Laundering:** We are required by the applicable law and regulations on the prevention of money laundering and terrorist financing to obtain sufficient client account opening information to satisfy ourselves as to the identity of all account applicants. In order to comply with these requirements, we require completion of all account opening formalities prior to any order being placed. In circumstances where we deem it necessary we may request confirmation from third parties (at your expense) of the authenticity of identity documentation. If within a reasonable period we are unable to complete satisfactory client due diligence, we reserve the right to cease trading with you.

16.2 You represent, warrant and undertake that you are now and will be at all material times in the future in compliance with all Applicable Regulations concerning money-laundering. Any dealings between you and ourselves will be subject to any Applicable Regulations relating to money laundering prevention, and we will deal with you on the understanding that you are complying with any such legal requirements. If you act on behalf of an underlying client, you represent and warrant to us that you have obtained and recorded evidence of identity of each underlying client in accordance with the procedures equivalent to those required under the EU Third Money Laundering Directive. You agree to provide us with such information, written confirmations or assurances in relation to the underlying client as we may reasonably require to comply with the applicable law.

16.3 **Intellectual Property:** All rights in patents, copyrights, design rights, trade marks and any other intellectual property rights (whether registered or unregistered) relating to the Electronic Services remain vested in us or our

licensors. You will not copy, interfere with, tamper with, alter, amend or modify the Electronic Services or any part or parts thereof unless expressly permitted by us in writing; reverse compile or disassemble the Electronic Services; nor purport to do any of the same or permit any of the same to be done, except in so far as such acts are expressly permitted by law. Any copies of the Electronic Services made in accordance with law are subject to the terms and conditions of this Agreement. You shall ensure that all the licensors' trademarks and copyright and restricted rights notices are reproduced on these copies. You shall maintain an up-to-date written record of the number of copies of the Electronic Services made by you. If we so request, you shall as soon as reasonably practical, provide to us a statement of the number and whereabouts of copies of the Electronic Services.

17. **MISCELLANEOUS**

17.1 **Time of essence:** Time shall be of the essence in respect of all obligations of yours under this Agreement (including any Transaction).

17.2 **Rights and remedies:** The rights and remedies provided under this Agreement are cumulative and not exclusive of those provided by law. We shall be under no obligation to exercise any right or remedy either at all or in a manner or at a time beneficial to you. No failure by us to exercise or delay by us in exercising any of our rights under this Agreement (including any Transaction) or otherwise shall operate as a waiver of those or any other rights or remedies. No single or partial exercise of a right or remedy shall prevent further exercise of that right or remedy or the exercise of another right or remedy.

17.3 **General interpretation:** A reference in this Agreement to a "clause" or "Schedule" shall be construed as a reference to, respectively, a clause or Schedule of this Agreement, unless the context requires otherwise. References in this Agreement to any statute or statutory instrument or Applicable Regulations include any modification, amendment, extension or re-enactment thereof. A reference in this Agreement to "document" shall be construed to include any electronic document. A reference to a person shall include bodies corporate, unincorporated associations, partnerships and individuals. The masculine includes the feminine and the neuter and the singular includes the plural and vice versa as the context admits or requires. Words and phrases defined in the FCA Rules have the same meaning in this Agreement unless expressly defined in this Agreement.

17.4 **Schedules:** The clauses contained in the attached Schedule(s) (as amended from time to time) shall apply. We may from time to time send to you further Schedules in respect of Markets or Transactions. In the event of any conflict between the clauses of any Schedule and this Agreement, the clauses of the Schedule shall prevail. The fact that a clause is specifically included in a Schedule in respect of one Market or Transaction shall not preclude a similar clause being expressed or implied in relation to any other Market or Transaction.

17.5 **Headings:** Headings are for ease of reference only and do not form part of this Agreement.

18. **NOTICES**

18.1 We may rely on any instructions, notices or requests of any person who is believed by us, our officers and employees in good faith to be the person designated or authorised by you to give them.

18.2 Any instructions, notices or requests to be given by either party shall, subject to any express provision of this Agreement, be given or notified in writing and shall be served by hand or by being sent by pre-paid post to the address set out at the head of the letter accompanying this Agreement and addresses to the Compliance Officer in our case and to the address to which this Agreement has been sent in your case or as otherwise notified by one party to the other from time to time. Any such communication is deemed to be received on the fifth day (not including Sundays of public holidays) after the date of posting.

18.3 Unless otherwise agreed, all notices, instructions and other communications to be given by us under this Agreement shall be given to the address or fax number provided by you to us. Likewise, all notices, instructions and other communications to be given by you under this Agreement shall be given to the address or fax number

(in the Individually Agreed Terms Schedule) and/or by notice in writing by either party. You will notify us of any change of your address in accordance with this clause.

19. **GOVERNING LAW AND JURISDICTION**

19.1 **Governing law:** This Agreement shall be governed by and construed in accordance with English Law. Transactions will have Applicable Rules applied to them.

19.2 **Jurisdiction:** Any dispute, controversy or claim arising out of or in connection with any Transaction subject to the terms of this Agreement shall be finally resolved in accordance with dispute resolution provisions contained in the Applicable Rules of the Market. If the rules of the Market do not contain dispute resolution provisions, or the Transaction is not subject to the Applicable Rules, each party irrevocably:

- a) Agrees that the courts of England shall have jurisdiction to settle any suit, dispute, controversy, claim, action or other proceedings relating to this Agreement ("**Proceedings**") and irrevocably submits to the jurisdiction of such courts (provided that this shall not prevent us from bringing an action in the courts of any other jurisdiction); and
- b) Waives any objection, which it may have at any time to the laying of venue of any Proceedings brought in any such court and agrees not to claim that such Proceedings have been brought in an inconvenient forum or that such court does not have jurisdiction over it.

19.3 **Partial invalidity:** If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired.

19.4 **Service of process:** If you are situated outside England and Wales, process by which any Proceedings in England are begun may be served on you by being delivered to the address in England or Wales nominated by you for this purpose in the Individually Agreed Terms Schedule. This does not affect our right to serve process in another manner permitted by law.

20. **DEFINITIONS**

20.1 **Definitions:** The defined terms in this Agreement are capitalised and set out below::

"**Applicable Regulations**" means: FCA Handbook of Rules and Guidance as in force from time to time and applicable to the client and StoneHedge Partners LLP or any other rules of a relevant regulatory authority; the Rules of the relevant Market; and all other applicable laws, rules and regulations as in force from time to time;

"**Associate**" means a representative whom we appoint, or any other person with whom we have a relationship that might reasonably be expected to give rise to a community of interest between them and us;

"**Business Day**" means a day which is not a Saturday or a Sunday and upon which banks are open for business in London;

"**Eligible Counterparty**" has the meaning given to that term in the FCA Rules;

"**Event of Default**" means any of the events of default as described in detail in paragraphs (a) to (e) of sub-clause 6.1;

"**Electronic Services**" means a service provided by us, for example an internet trading service offering clients access to information and trading facilities, via an internet service, a WAP service and/or an electronic order routing system;

**“FCA”** means the United Kingdom Financial Conduct Authority and any successor regulatory authority;

**“FCA Rules”** means the FCA Handbook of Rules and Guidance and any other rules and guidance issues by the FCA from time to time;

**“Market”** means, any Regulated Market, Multilateral Trading Facility (MTF) Organised Trading Facility (OTF) or product which is traded under the Code of Market Conduct and Accepted Market Practice as defined by the FCA handbook.

**“MiFID II”** means the revised and restated EU Markets in Financial Instruments Directive (Directive 2014/65/EU);

**“MiFID Firm”** means an entity that is subject to the conduct of business requirements derived from MiFID II (as implemented in the relevant jurisdiction where it operates) and the post trade transparency, transaction reporting and mandatory trading requirements set out in MiFIR;

**“MiFIR”** means the European Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014);

**“Multilateral Trading Facility”** means a multilateral system, operated by an investment firm or 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 MiFID II;

**“Obligations”** means obligations present or future, actual or contingent or prospective, owing or which may become owing by you to us under any Transaction or designated by us for these purposes in writing (including in the Individually Agreed Terms Schedule);

**“Organised Trading Facility”** is a multilateral system, which is not a Regulated Market or Multilateral Trading Facility and in which multiple third party buying and selling interests in bonds, structured finance products, emissions allowances or derivatives are able to interact in the system in a way which results in a contract in accordance with the provisions of MiFID II;

**“Professional Client”** has the meaning given to that term in the FCA Rules;

**“Rules”** means articles, rules, regulations, procedures and customs, as may be in force from time to time;

**“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 non-discretionary 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 MiFID II;

**“System”** means all computer hardware and software, equipment, network facilities and other resources and facilities needed to enable you to use an electronic service;

**“Systematic Internaliser”** means an investment firm which, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a Regulated Market, a Multilateral Trading Facility or an Organised Trading Facility without operating a multilateral system;

**“Terms of Business”** means these Terms of Business for Professional Clients and Eligible Counterparties, including the schedules;

**“Trade Reporting”** means the near real time broadcasts of trade data for price formation and operation of best execution obligations via approved trade reporting venues;

"**Transaction**" means any transaction subject to this Agreement, and includes being a future, option, contract for differences, spot or forward contract of any kind in relation to any commodity, financial instrument (including any security), currency, interest rate, index or any combination thereof; and any other transaction which we both agree from time to time.

## RISK DISCLOSURE STATEMENT

### GENERAL DESCRIPTION OF RISKS RELATED TO FINANCIAL INSTRUMENTS

#### Introduction

This statement is intended to highlight some, but not all, of the risks associated with the financial instruments Stonehedge Partners may transact with clients, and to provide a general overview of the risks associated with those financial instruments so that clients are reasonably able to understand their nature, and consequently, make informed investment decisions. This document is intended for Professional Clients and Eligible Counterparties, as defined in the FCA Rules. It is to be used for informational purposes only and does not constitute an offer by Stonehedge Partners LLP to buy or sell the financial instruments described. The risk described below may occur simultaneously and/or cumulatively and have unpredictable effects on the investment value.

#### Credit risk, Counterparty risk

Credit risk or counterparty risk is the risk that a debtor will not be able to meet its financial commitments. The weaker the financial and economic condition of the issuer of a financial instrument, the greater the risk of not being repaid or partial repayment.

#### Risk of capital loss

A capital loss occurs when the capital initially invested is not fully repaid on the maturity date, in particular when the financial instrument does not benefit from any guarantee or protection, or from a partial guarantee of the capital.

#### Liquidity risk

Liquidity risk is the risk of not being able to buy or sell an asset. In addition the nature of the instrument in question, the liquidity of the market in a financial instrument depends on its organisation, for example, whether it is traded on a trading venue or over-the-counter. Investors should be aware that the liquidity of a financial instrument can evolve over time and is directly linked to supply and demand.

#### Currency risk

An investor is exposed to currency risk when the financial instrument is valued in a foreign currency. This reflects the fact that a fall or rise in exchange rates may lead, to a fall or rise in the price of financial instruments denominated in foreign currencies.

### **Interest rate risk**

Interest rate risk is risk that the value of a financial instrument rises or falls in reaction to a change in the absolute level of interest rates. For example the value of a bond may fall in response to an increase in interest rates.

### **Leverage (or gearing) effect risk**

The leverage, or gearing, obtainable in some financial instruments creates an exposure to a market risk on a nominal amount that is higher than the amount invested. This means that a small deposit or down payment (for example the option premium) can lead to losses (or gains) which may exceed the amount invested. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment. This can work against you as well as in your favour.

### **Volatility risk**

Volatility risk is the risk associated with the price movements, either realised or anticipated, of a financial instrument or market. High volatility occurs when there is a wide range of fluctuation in the price of the financial instrument during a given period.

### **Underlying valuation risk**

The valuation risk is the risk of obtaining a dealing price that is significantly different from the reference valuation received. Valuation risk related to the complexity of a financial instrument and nature of any underlying assets.

## **FINANCIAL INSTRUMENTS AND THEIR ASSOCIATED RISKS**

### **Equities.**

A share is a title of ownership which represents a part of the capital of the company which issued it. Holders of equity securities are typically entitled (although not guaranteed) to receive regular payments (dividends) and hold the right to vote at shareholders' meetings. The shares may be listed on the stock market.

The risk incurred by purchasing equity relates mainly to a decline in the share price caused by either a decline in the equity markets generally or for reasons specific to the company based on its particular business activity. Equities should be considered a high risk investment as the price can vary considerably upwards or downwards.

Equities should be considered a high risk investment as the price can vary considerably upwards or downwards and the maximum risk is the loss of the entire investment in the event of bankruptcy.

### **Bonds.**

A bond is a loan issued by a borrower, typically a company, public sector entity or a government).

An investor in bonds becomes lender and therefore creditor of the issuer. In return, the investor generally receives interest paid periodically (the coupon) which may be fixed or variable. The capital (nominal amount) is in principle repaid at maturity. Any resale of a bond before its maturity may result in a gain or a loss.

The risk incurred by investing in bonds relates to variations in interest rates (see interest rate risk above) and the credit spread. The credit spread compensates the investor in relation to the risk-free rate and depends on the issuer's financial soundness and on the market's perception of its ability to honour its debt over time. A credit rating may have been assigned to the issuer by a rating agency and changes in this rating can also impact the credit spread of a bond. As is the case with equity, the change in this spread can be explained by a variation in market spreads generally or by an issuer-specific risk.

Bonds are generally considered to be less risky than equity however, there is a risk of significant or total loss of the investment should the issuer default.

### **Convertible Bonds.**

A convertible bond is a hybrid product, a debt instrument issued by a company giving the holder the right to convert this debt into equities under conditions defined in the issue prospectus.

This asset is therefore exposed to the risk factors for Equities and Bonds described above: interest rate risk, credit spread risk and risk of a decline in the price of the share underlying the conversion right. The optional nature of the conversion right presents an additional risk factor: volatility risk.

The valuation of this right depends on the market's estimate of the future change in the price of the underlying instrument.

Like bonds, the primary risk of investing in convertible bonds is the risk of the issuer's default.

### **Exchange Traded Funds (ETFs).**

Exchange Traded Funds (ETFs) are index funds that aim to replicate the performance of a predetermined index.

The main risk of investing in ETFs relates to index value changes. If the index value falls, the investment falls in the same proportion with a risk of partial or total loss of the invested capital. ETFs are generally listed on a continuous basis and liquidity is guaranteed by market makers. Its indicative net asset value is calculated and disseminated through trading platforms. Some ETFs may use derivatives products to replicate the performance of the index they follow, this may give rise to counterparty risk due to the swap agreements underlying this structure. Some ETFs have leverage effects, magnifying exposure to the underlying to maximize gains in a favourable scenario, with the risk for the investor to amplify losses in case of an adverse scenario.

### **Futures.**

A Futures contract is a legal agreement where a buyer and a seller agree to exchange a reference asset at a pre-determined price on a given date in the future. This contract can entail the physical delivery of the reference asset or a cash payment corresponding to the difference between the value of the contract on the negotiation date and the value of the contract at maturity. Futures contracts are standardized instruments regarding the quantity of underlying instruments and expiry dates traded on trading venues. Parties to a futures contract are subject to margin calls based on changes in the value of the contract.

The risks related to owning a futures contract depend on the performance of the reference asset

therefore, depending on the nature of the reference asset, the holder may be exposed to equity market, commodity market, interest rate, credit spread, or issuer spread risks. Futures are considered high risk as leverage is high on these instruments, the initial outlay is often low compared with the value of the contract.

### **Options.**

An Option is agreement between a buyer and seller that enables the buyer to buy (a Call option) or sell (a Put option) a reference asset at a pre-determined price on a future date.

The price of options changes according to the variation of the ratio between the level of the underlying and the strike price, the maturity date, the interest rate level, the dividend and the volatility level.

The market risks related to the holding options are similar to those of the reference asset (price risk on the underlying asset, rate risk, and volatility risk). The risk borne by the option buyer and the option seller is not symmetrical. Buyers have the right to exercise (or not) their options, their loss is limited to the initial premium paid, whereas the seller of the option must buy or sell at the price set at the conclusion of the contract in the event that it has been exercised. Options have no counterparty risk when traded on an organised market however, if they are traded over the counter, the buyer of the option bears counterparty risk of the seller should the latter not honour its commitment if the option is exercised.

### **Warrants.**

A warrant is a listed instrument issued by a credit or investment firm that shares the characteristics and associated risks of an option. Warrants are financial securities whereas options are contracts.

### **Structured products.**

A structured product is a financial instrument where the return on the investment is dependent on the performance of a specific asset or index (or a basket of assets or indices) typically over a fixed term. Structured products are available in the form of securities representing a debt claim on the issuer, like a bond. They consist of an interest rate component to ensure a given level of protection or yield and a risk component whereby the product is indexed to a risk-bearing asset, often in the form of an option, which determines the ultimate profitability of the structure.

Products may be with or without capital protection. Capital protection can be partial and is conditional on the value of the underlying or reference asset remaining above a pre-determined barrier.

With the exception of capital protected products where the investor is bearing the credit risk of the issuer, the losses at maturity of the product may theoretically represent the entire investment in the event of an adverse change in the value of the reference asset(s).

In the event of an early exit from the investment (including capital protected products) there is the risk that the value may be lower than the amount originally invested.

Structured products are typically traded over the counter.