FXdirektBank

Important Information about Risks of Loss and the Formation of Prices of Leverage Products

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1. Scope of services offered

1.1. Survey

FXdirekt Bank AG (hereinafter also referred to as FXdirekt or bank) offers transactions where the customer enters into leveraged buying or selling positions concerning the underlying with regard to foreign exchange, securities, baskets, stock market or other indices, government securities, basic and precious metals and commodities ("underlying assets") against the provision of a security in the form of a margin. The contracts offered by the bank are called "leverage products".

One of the product groups offered by the bank are CFDs. CFDs are contracts for difference which constitute a compensation business between the buying and selling price (or vice versa) of an underlying asset and belong to the group of derivative financial instruments. CFDs allow the investor to speculate on the price movements of different underlying assets such as shares, indices, raw materials or bonds without the need for ownership. The performance of such transactions is effected in the form of a cash settlement two market days from opening and closing of a position on the same day.

In addition, the bank offers spot transactions (i.e. transactions with a term of not more than 2 market days) with foreign exchange and precious metals.

1.2. Increased risk of loss

Trading in leverage products, the investor incurs a high risk of loss.

Before participating in the reference markets with leverage transactions, we would like to inform you about the course and settlement, but in particular about the typical risks, of such transactions.

The present information cannot show all the risks possibly inherent in trading with leverage products and, consequently, only refers to the typical risks of such leverage products and to the online trading in leverage products. Trading in the above products and the risks involved require special knowledge, abilities and experience and are therefore not appropriate for many investors. For that reason, you should check very carefully whether the online trading in leverage products represents a suitable type of capital investment in view of your personal experience, investment goals, financial possibilities and other investment-relevant personal circumstances. We request you to carefully read these explanations and to check whether you are prepared and in a position to bear the commercial risks connected with leverage products.

1.3. No investment counselling

The customers do not get any advice by the FXdirekt Bank (cf. form for the opening of an account).

1.4. Price fluctuations

The driving force behind, and the basis of transactions on, the international foreign exchange, precious-metals, raw commodity and securities markets ("reference markets") are the constant price fluctuations which are, apart from several other factors, influenced by the supply and demand of the market. The large number of market participants and the extremely short reaction times which are made possible by the modern communication technologies today sometimes cause price fluctuations on a single day which used to take quite a long time in the past. This, in particular, renders the leverage transactions so attractive but also represents an extremely high risk.

1.5. The spread

Unless the bank exceptionally (for example, in supervised CFD trading) waives a spread premium, the bank realizes its main earnings from the leverage transactions from the collection of the so-called spread, which means that the bank collects a markup in the market price determined at the reference markets of an underlying in the event of a buying position (long position) or pays to the counterparty the reference price less a markdown in the event of a selling position (short position).

2. How a leverage product works

As an investor who wishes to participate in the development of the reference markets, you can enter into cash transactions with an actual delivery of the acquired underlying assets, which requires a relatively high minimum amount of capital employed.

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Alternatively, a leverage transaction can be effected where, with a comparably small amount invested, transactions with underlying assets are carried out on a large scale.

In such leverage transactions, the actual delivery of the underlying asset is contractually excluded by closing out each transaction on the same day by concluding an offsetting transaction with the same underlying asset and at the same contract value. On the settlement day, a mere setoff and cash settlement of the resulting balance take place (see item 4 below).

The closure of each position on the same day is effected either by the customer himself or – if the customer has not concluded an offsetting transaction at closing time of the bank – by the bank in the form of the so-called "rollover", which means that the position opened by the customer is closed out by an offsetting transaction, profit or loss arising from the position are calculated and a new identical position automatically opened on the next business day until the customer himself finally evens up the transaction.

To cover the risk, the customer only has to deposit a minimum cover, the so-called margin. The traded volume is covered by your capital invested to the amount of the margin; the balance of the foreign trade volume is virtually credited.

The conclusion of the leverage transaction on the basis of a margin does reduce the amount of the capital employed by the investor who can move a comparatively large trading volume with a comparatively small capital stock. The consequence of the margin transaction is, however, that even minor price fluctuations can lead to a total loss of the capital invested if the loss exceeds the total credit balance on the accounts kept for the leverage transactions. It is a matter of principle that the lower the margin requested by the bank and provided by the customer, the higher the risk of total loss of the amount invested. In practice, this correlation is designed as leverage effect.

Example:
The following example proceeds from the assumption that you have a credit balance of USD 15,000 on an account kept in USD. With a margin of 3%, you can employ that amount to move a maximum trading volume of USD 500,000 or the equivalent amount in a different currency.

In the example, you wish to purchase a currency position of EUR 400,000.

a. Profit situation
A successful spot exchange transaction would develop as follows:

Purchase price at a EUR/USD rate of 1.2400	USD 496.000

Shortly afterwards, you even up the transaction.

On the day set for sale, the EUR/USD rate has risen by 1.50 % to USD 1.2586.

The sales revenue from the evening-up transaction amounts to	USD 503.440
Profit	USD 7.440

With an amount of capital employed of USD 14,880 (margin 3 % of USD 496,000), you have thus made a profit of USD 7,440, which corresponds to a return of 50 % without expenses.

b. . Loss situation
An unsuccessful spot exchange transaction would develop as follows:

Purchase price at a EUR/USD rate of 1.2400	USD 496.000

On the day set for sale, the EUR/USD rate has fallen by 1.50 % to 1.2214.

The sales revenue from the evening-up transaction amounts to	USD 488.560
Loss	USD 7.440

With an amount of capital employed of USD 14,880 (margin 3 % of USD 496,000), the capital employed has thus been divided by two. If the EUR/USD rate fell not only by 1.50 % but by 3 % to USD 1.2028, the revenue from selling the EUR 400,000 position would amount to USD 481,120. Consequently, the capital employed of USD 14,880 would be totally lost.

The example shows that the leverage effect leads to extreme results both with winning and losing bargains.

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3. How the margin watcher works

The bank regularly checks whether the margin provided by the customer is sufficient to secure all of his open positions. The bank is entitled to even up all open positions and orders if more than 70 % of the capital in the trading account have been used up to secure open positions. Evening up is effected automatically at the next traded market price. This may result in a total loss or even in a liability for the customer to put up a further margin. Several margin accounts of one account holder are not set off against each other, i.e., the balances on a margin account which are not used as security can not be used to secure the positions of another margin account.

Example:
The falling below a margin requirement is shown, based on the example of the leverage effect (so that the margin watcher takes effect):

Account balance	15.000,00 USD
Blocked margin of which	14.880,00 USD
Total balance	15.000,00 USD
Open loss	- 10.680,00 USD
Available balance	4.320,00 USD
Current margin requirement	14.559,60 USD
30% of which	4.367,88 USD

Open position	Margin	Traded EUR/USD rate
400.000,00 EUR	3%	1,2400
EUR/USD rate falls to		1,2133

The available balance falls below the current margin requirement by 47.88 USD. Consequently, the bank can now require and arrange for the evening up.

The margin watcher does not guarantee that the customer is discharged from the liability to put up a further margin.

4. Execution of the transactions

By evening up each and every transaction on the same day, either by the customer himself or by the bank within the framework of rollover, two offsettable positions each are opposed to one another on the settlement day (two banking days from opening and closing of the position).

In the profit situation shown as an example above, the bank owes the customer EUR 400,000 from the purchase and the customer owes the bank EUR 400,000 from the sale. At the same time, the customer owes the bank USD 496,000 and the bank owes the customer USD 503,440.

The setoff as explained by the bank results in a positive balance of the customer amounting to EUR 0,- and USD 7,440.

Payments to be made by the customer or the bank are effected by increasing or reducing the account balance of the customer. For the calculation of the current margin obligations and, consequently, of the customer's trading frame, the profits or losses made on a trading day are, how-ever, already taken into account from the time of their accrual.

5. Risks from leverage transactions

Leverage transactions show a large number of characteristic risks which are described below. In addition, the customer bears the general market and other risks. The bank starts from the assumption that the customer is familiar with these risks. If, contrary to expectation, this is not the case, the bank shall send the customer on request the "Basic information about the risks of loss involved in the investment in securities", free of charge.

5.1. Risks of lacking evening-up possibilities

Transactions made to exclude or limit the risks inherent in the leverage transactions concluded (evening-up transactions) can possibly not be carried out at all or only at a price involving a loss.

5.2. Automated hedging tools

It is recommended to limit the risks of leverage transactions by means of automated hedging tools. One typical hedging tool is the "stop-loss order". This is an order to buy or sell a specific leverage position as soon as the price of the respective position either exceeds or falls below a defined limit. As soon as the price has rea-

ched the defined limit, the order is executed at the next possible price. Partial executions at different prices are possible, too. Depending on the market situation, the next price may differ considerably from the limit price. The consequence is that losses may occur despite the stop-loss order. Therefore, the stop-loss order does not guarantee either to be spared from trade losses. Particularly in dynamic market situations, the jumps in prices can be so high that the stop-loss order cannot prevent losses.

Moreover, it must be taken into account that the difference between the limit price and the current price of the currency, the precious metal or the CFD has to be at least 10 points when entering the order to ensure that the limit price becomes effective with a stop-loss order or with a stop-limit order having a similar effect.

The use of hedging tools can also be of advantage in the case of technical failures (cf. Special conditions for long-distance communication).

5.3. Counterparty credit risk

The counterparty credit risk is the risk that one of the contracting parties fails to meet its contractual obligations and defaults. The other contracting party thus suffers a financial loss because it has to conclude substitute transactions at more unfavourable prices. Synonyms of the counterparty risk are the borrower, default or credit risk. The counterparty credit risk refers to the default of the other contracting party to the leverage transaction. The reasons for this risk may lie in the credit standing of the partner or indirectly in the country risk at the place of business of the partner. The counterparty credit risk can occur at any time. It is generally independent from the market activities. A participant defaults, for example, if it becomes insolvent, files a petition in bankruptcy or if a moratorium is introduced.

The potential loss in the case of a default of a contracting party amounts to the expenses incurred for the replacement by means of the substitute transaction. Therefore, the counterparty credit risk is also called replacement or substitution risk. The risk that the counterparty fails to meet its obligations and ends with a loss is of special importance with leverage transactions. As a rule, there are different places of performance of leverage transactions. Therefore, neither of the parties knows whether the opposite party meets its obligations in conformity with the contract when it places its payment orders. This (time zone) risk (also known as “Herstatt risk”) is particularly high when, due to time zone differences between the two places of payment, one of the parties is obliged to make a performance prior to the other party.

When trading with the FXdirekt Bank, the counterparty risk is excluded to the greatest possible extent due to the use of complex risk management systems.

5.4. Day trading risk

Same-day spot transactions with the same underlying asset (purchase/sale and evening up) can lead to immediate losses. Customers may possibly lose their total credit balance on the accounts kept for leverage transactions. In the attempt to make profits by day trading, the customer competes with professional and financially strong market participants. Day trading requires extensive knowledge of the reference markets as well as the corresponding trading techniques and strategies on the part of the customers.

5.5. Technical risks

Further risks may result from the special characteristics of online trading. It may happen, in particular due to system errors, system crashes, transmission errors, other faults of the hardware or software or a line interruption, that orders, especially stop-limit orders and/or stop-loss orders, are not transmitted or executed at all or in due time. Such errors and faults, too, can lead to losses, up to a total loss, of the total credit balance on the accounts kept for the leverage transactions and might possibly result in a liability to put up a further margin.

The FXdirekt Bank has rugged and field-proven technical systems which help minimize the risk of loss caused by technical failures to the greatest possible extent.

5.6. Political and transfer risk

The risk of an economic and/or political instability is hidden beneath this. Payments, for example, to which the creditor is entitled, may not be effected due to a shortage of foreign exchange and precious metals or transfer restrictions abroad.

Moreover, the transfer of money or the exchange into a different currency can be prohibited by government action. One example of the recent past is the blockade of credit balances at Iranian and Iraqi banks in the USA through the American government. This is called the transfer risk. Although the transfer risk has to be classified as rather low because of the globalization of

the capital markets, at least in the commercial transactions among the western industrial nations, the risk still does exist.

There is no perfect hedging possibility against the transfer risk. As a result of destabilizing events in political and/or social systems, a government intervention in the payment of external debts and the stoppage of payments of a country may occur. Political events may be reflected in the capital, stock, foreign exchange and raw commodity markets which mutually depend on each other worldwide, either rigging the market or creating a bearish mood. Examples of such events are national and international crises, changes in the economic order, changes in the constitutional system or in the political balances of power, revolutions and wars as well as natural occurrences. Even the prospects and returns of elections occasionally – depending on the economic programme of the dominating political forces – have effects on the currency and the capital market of the country concerned.

The country ratings published by rating agencies are also of great importance: They classify all the countries of the world according to their credit standing. Country ratings serve as a decision support for the evaluation of the country risk.

5.7. Additional risks incurred when drawing on a credit

Your risk will increase if you finance the funds used in the leverage transactions by means of a credit. In such case, you will not only have to accept the loss incurred if the market develops contrary to your expectations, but you will also have to pay interest on the credit and pay it back. You should therefore never count on being able to pay back a credit plus the interest accrued on the profits arising from leverage transactions. In that case, you must – in your own interest – check your financial conditions before concluding a transaction to see if you are in a position to pay interest on, and redeem at short notice, a credit even if losses arise instead of the expected profits.

5.8. Risks of the individual types of transactions

- Leverage transactions with a foreign exchange risk

If you intend to enter into a financial futures contract where your obligation or the counterperformance claimed by you is expressed in foreign currency or an accounting unit or the value of the subject matter of the contract is determined according to that (e.g. in the case of gold), you will incur an additional risk.

In that case, your risk of loss is not only linked to the development of the underlying subject matter of the contract. The developments of the foreign exchange market may rather be the cause of additional incalculable losses. Exchange rate fluctuations can:

- raise the price of the subject matter of the contract you have to deliver in fulfilment of the financial futures if that price has to be paid in a foreign currency or an accounting unit; the same shall apply to an obligation to pay resulting from the financial futures if you have to effect that payment in a foreign currency or an accounting unit;

- reduce the value or the sales proceeds of the subject matter of the contract to be purchased in connection with the financial futures or reduce the value of the payment received.

- Transactions excluding or limiting the risk

Do not trust that you will be able to enter into transactions at any time during the term which will compensate or limit your risks inherent in leverage transactions. Whether this possibility exists, depends on the market conditions and on the basic features of the respective financial futures contract. You may possibly not be able to enter into a corresponding transaction or at an unfavourable market price only so that a loss arises.

- Lapse or depreciation in value

The rights you acquire from leverage transactions may lapse or lose value since these transactions only involve rights limited in time. The shorter the time limit, the higher your risk may be.

- Incalculable losses

If you incur liabilities on financial futures, your risk of loss may be indeterminable and cover your other property even beyond the securities provided by you. This may result in a total loss or even in a liability for the customer to put up a further margin!

- Lack of hedging facilities

Transactions intended to exclude or limit the risks resulting from leverage transactions (evening-up transactions) can possibly not be made at all or only at a loss-making price.

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6. Price fixing and formation of contract units as a function of underlying assets

6.1. General information on the price formation of leverage products

Please note the following with regard to the formation of prices concerning the leverage transactions carried out by the bank. It is essential to read them before taking up the trade.

Within the framework of leverage transactions, the bank fixes prices for the customer

- at the opening and closing of a position (see the above statements on the spread)
- for the daily conversion of the profits and losses reported to the customer in foreign currencies into the appropriate account currency within the framework of fixing
- for the rollover (cf. the above statements on rollover and the General Business Conditions, part II).

The bank, and not the customer, executes the rollover and conversion during fixing. The bank is exempted from the restrictions of s. 181 German Civil Code for the purposes of rollover pursuant to the General Business Conditions part II of the bank, and is therefore entitled to deliver the required declaration on behalf of the customer. The customer can, however, subsequently verify that the rollover has been carried out at the conditions prevailing in the market at the time (see below).

The profits and losses shown to the customer in foreign currency are also, within the scope of fixing, converted into the respective account currency on a daily basis.

The rollover and fixing prices are fixed by the bank, based on equitable discretion (s. 315 German Civil Code). Therefore, they do not yet stand at the opening of a position. When exercising its discretion, the bank orients itself to prices prevailing in the market. As proof, the bank maintains a data base with swap rates for the rollover and the fixing and spot prices, containing date and time. The swap rates and prices charged to the customer by the bank can thus be compared with the prices traded on the relevant reference markets by, for example, comparing them with other banks' prices.

The bank has instructed its auditors to verify and confirm in their annual audit report (as stipulated by law) that the prices always remained within the above-mentioned scope.

6.2. Special features of individual underlying assets

a) CFDs with securities as underlying
If a CFD is based on an individual security as underlying asset, that security shall be the contract unit and the bank quotes prices for long positions and short positions in that security in the relevant currency of the security, multiplied by the quoted number per security. One security or a multiple of one can be the contract unit only.

The price fixed by the bank for a CFD for an individual security is determined, with regard to a long position, from the stock exchange price of the security plus a markup (spread) used by the bank at the time of price fixing by the bank.

In the case of a short position for a CFD for an individual security, the price is determined from the stock exchange price of the security less a markdown (spread) used by the bank at the time of price fixing by the bank.

The respective spread is fixed according to the reasonably exercised discretion of the bank (s. 315 German Civil Code). The spreads are disclosed on the trading platform.

b) CFDs with baskets as underlying
If a CFD is based on a basket as underlying asset, that unit shall be the contract unit for which the bank quotes prices for long positions and short positions and which represents a relative weight among the securities of the individual companies in the basket, which weight shall be determined by the bank.

The price fixed by the bank for a CFD for a basket is determined, with regard to a long position, from the sum – weighted according to the composition of the basket – of the respective stock exchange prices of the securities included plus a markup (spread) used by the bank at the time of price fixing by the bank.

In the case of a short position for a CFD for a basket, the price is determined from the sum weighted - according to the composition of the basket - of the respective

stock exchange prices of the securities included less a markdown (spread) used by the bank at the time of price fixing by the bank.

The respective spread is fixed according to the reasonably exercised discretion of the bank (s. 315 German Civil Code). The spreads are disclosed on the trading platform.

c) CFDs with indices as underlying
If a CFD is based on an index as underlying asset, the contract unit shall be the total number of points of the relevant index at the time of price fixing, and the bank quotes prices for long positions and short positions in that index in the relevant currency of the index at 'x' currency units per index point, where 'x' depends on the respective currency.

The price fixed by the bank for a CFD for an index is determined, with regard to a long position, from the number of points of the index plus a markup (spread) used by the bank at the time of price fixing by the bank.

In the case of a short position for a CFD for an index, the price is determined by the number of points of the index less a markdown (spread) used by the bank at the time of price fixing by the bank.

The respective spread is fixed according to the reasonably exercised discretion of the bank (s. 315 German Civil Code). The spreads are disclosed on the trading platform.

d) CFDs with government securities as underlying
The contract unit shall be the total number of points of the relevant government securities product and the bank quotes prices in the relevant currency per standardized minimum contract volume for such government securities products.

The price fixed by the bank for a CFD for a long position is determined, with regard to a long position, from the number of points or the market price of the government securities product plus a markup (spread) used by the bank at the time of price fixing by the bank.

In the case of a short position for a CFD for a government securities product, the price is determined by the number of points or the market price of the government securities product less a markdown (spread) used by the bank at the time of price fixing by the bank.

The respective spread is fixed according to the reasonably exercised discretion of the bank (s. 315 German Civil Code). The spreads are disclosed on the trading platform.

e) CFDs with metals as underlying
The contract unit is a weight unit usual in the market (e.g. ounce) of the relevant metal, and the bank quotes prices in the common currency of the relevant market per contract unit.

The price fixed by the bank for a CFD for a metal is determined, with regard to a long position, from the bid price (buying rate) for the contract unit of the metal usual in the market [or a futures contract for that metal] plus a markup (spread) used by the bank at the time of price fixing by the bank.

In the case of a short position for a CFD for a metal, the price is determined by the ask price (selling rate) for the contract unit of the metal usual in the market [or a futures contract for that precious metal] less a markdown (spread) used by the bank at the time of price fixing by the bank.

The respective spread is fixed according to the reasonably exercised discretion of the bank (s. 315 German Civil Code). The spreads are disclosed on the trading platform.

f) CFDs with commodities as underlying
The contract unit is a weight unit usual in the market (for example, an ounce, a pound, a ton) in accordance with the established customs in the relevant market and the bank quotes prices in the common currency of the relevant market per contract unit.

The price fixed by the bank for a commodities CFD is determined, with regard to a long position, from the bid price (buying rate) for the contract unit of the commodity usual in the market plus a markup (spread) used by the bank at the time of price fixing by the bank

In the case of a short position for a commodities CFD, the price is determined by the ask price (selling rate) for the contract unit of the commodity usual in the market less a markdown (spread) used by the bank at the time of price fixing by the bank.

The respective spread is fixed according to the reasonably exercised discretion of the bank (s. 315 German

Civil Code). The spreads are disclosed on the trading platform.

g) Account adjustments due to dividends
Subject to the statements made below as to baskets, an adjustment of the margin account is effected due to a dividend distribution which is to be attributed to a relevant security or basket as underlying asset for a CFD. Such adjustment is carried out as follows:

(a) should the customer hold a long position, the bank credits the customer's account with the dividend per security, multiplied by the contract volume;

(b) should the customer hold a short position, the bank debits the customer's account with the dividend of the security, multiplied by the contract volume.

Such adjustments are effected for all CFD transactions which were open at closing time on the business day on which the dividend is paid and are carried out by the bank at closing time on the ex dividend day.

Should a change in the legal situation or in the interpretation or application of the applicable law or in any regulations have been effected by a court, authorities or any other competent organs, which results in a reduction or increase of the dividends usually to be paid to the holders of securities per security, the bank shall, at its complete discretion, be entitled to adjust payments with immediate effect – even retroactively. It shall inform the customers in writing.

To clear up matters, it is emphasized that the above regulations as to dividends are applicable to all securities in a basket; each adjustment of the account is, however, reasonably effected at the complete discretion of the bank in proportion to the relevant weight of the security concerned in the basket.

h) Trade restriction, interruption or cancellation
Should, at any point of time:

(a) trading in a relevant security or in a security which is part of a basket be limited, interrupted or cancelled; or

(b) trading in a stock exchange be limited, interrupted or cancelled with the result that trading is impeded in a relevant index;

so that the bank is prevented from determining the contract price of a security or index forming the basis of a CFD, the price of a CFD is determined by means of the price of the underlying securities or of the underlying index applicable immediately before the cancellation or interruption.

Alternatively, the bank shall be entitled to discontinue the price fixing for the CFDs concerned until the trade restriction, interruption or cancellation is again terminated for the underlying asset concerned.

Should:
(a) in connection with a commodities CFD or a CFD concluded with an index as underlying; or

(b) in connection with a CFD for a basket where all securities in the basket are affected by the cancellation or interruption,

such restriction, cancellation or interruption continue to exist for a whole banking day, the bank shall be entitled to determine the contract value of the CFD concerned in accordance with the relevant conditions and to even it up according to the special conditions. The bank reserves the right to adjust the contract price of the underlying asset of the CFDs concerned (including any and all baskets) at any time during the existence of such restrictions, interruptions or cancella-tions at its complete and reasonable discretion (s. 315 German Civil Code), but taking into account the prevailing market conditions which influence either the exchange dealings on the whole or trading in such securities or indices.

Should a CFD be based on a basket and:
trading in a security or several (but not all) securities in the basket be limited, interrupted or cancelled for a whole banking day, the bank shall be entitled at its complete and reasonable discretion (s. 315 German Civil Code) to exclude such securities from the basket without prior agreement with the customer and to adjust the contract price of the basket in a way considered representative, fair and reasonable by the bank to maintain the relevant weights of the securities remaining in the basket.

Should, in connection with a security, basket or index on which a CFD is based, the price of a relevant security or of the index be subject to extraordinary price fluctuations in the reasonable opinion of the bank, the bank shall be entitled to increase the margin percentage for the open positions in such CFD. The customer can ascertain this margin adjustment by calling the balance of his margin account.

Should:
(a) the bank not be in a position to hold, acquire or borrow relevant securities or should its ability to hold, acquire or borrow relevant securities at any time be considerably impaired or restricted in the opinion of the bank for whatever reason; or

(b) should the bank have reason to assume that it can no longer fulfil its obligations resulting from a CFD transaction on the economic basis on which the conditions of the CFD transaction were based upon its conclusion;

then the bank shall even up the CFD transaction at the then applicable prices calculated in accordance with the special conditions for CFDs and inform the customer accordingly. It shall prove such circumstances in a reasonable way on the customer's request.

i) Adjustments, insolvency and takeover bids
Should the listed price of a security become subject of an adjustment due to one of the events described below, the bank shall establish whether and to what amount an adjustment of the contract price of the underlying and/or of the relevant contract volume is necessary to take account of the diluting or concentrating effect of the adjustment and to counteract other effects and to maintain the economic equivalence of the rights and obligations of the parties involved in the relevant CFD which existed immediately before the event concerned. Such adjustment shall become effective on a day to be fixed by the bank.

The events referred to above concern the notifications of the issuers of the security made with regard to the following events:

(a) Subdivision, consolidation or reclassification of the security or issue of bonus shares to existing shareholders as extra dividend from corporate funds or similar issues;

(b) the distribution to existing shareholders of other equity participations or securities which involve the right to the distribution of dividends and/or liquidation proceeds in equal shares or in proportion to the shareholdings, or securities, rights or subscription rights which grant the right to the allocation of shares or are connected with the purchase or subscription of shares, under the relevant market exchange rate per share fixed by the bank as counter-performance for a payment (in cash or otherwise);

(c) any and all events relating to shares which have a diluting or concentrating effect on the current market value of the security analogously to those described under (a) or (b) above or otherwise.

If a takeover bid is submitted with regard to a security which is the underlying asset of a CFD or is included in a basket which is the underlying asset of a CFD, the bank shall be entitled subject to the right of the customer to even up the position:

(a) - to inform the customer – in the case of a CFD with an individual security as underlying – of its intention to even up the CFDs concerned; or

(b) - to inform the customer – in the case of a CFD with a basket as underlying – of its intention to change the portfolio of the basket and to exclude such a security

and to adjust the contract price of the underlying in accordance with the notification at its complete and reasonable discretion (s. 315 German Civil Code).

Should a company, whose security constitutes the underlying of a CFD for one single share, become insolvent or be dissolved otherwise, the bank shall even up the open positions of its customers in that CFD, with the time of suspension of trading this security on its main stock exchange being the time of evening up. The contract value of such CFD shall then be established by the bank in good faith.

An adjustment or change of the contract price of the underlying and of the contract volume by the bank according to the above regulations shall be entered in the books with immediate effect after closing time of the current banking day and is final and binding for the customer, unless an obvious mistake has been made.

Adjustments shall not be made as a result of events which take place after an evening up of the CFDs.

The terms 'bid' or 'takeover bid' have the meanings given to them in the German Securities Acquisition and Takeover Act (WpÜG). In the case of shares of target companies which have their registered offices outside Germany, the above-mentioned terms shall have the meanings given to them in the applicable versions of laws and regulations relating to takeovers and mergers, as far as the German WpÜG does not apply to the relevant facts. If no such laws or regulations are applicable, the bank shall apply the definitions of WpÜG mutatis mutandis.

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7. Additional important notes as to the differences between supervised and over-the-counter trading of CFDs

Supervised trading takes place on the CONTREX trading platform in cooperation with Bayerische Börse AG which is organized and supervised in accordance with the CONTREX regulations. The key features of the CONTREX trading platform and of OTC trading are given below.

Key features

CONTREX	OTC trading
There are no spread premiums and discounts but a trans-action fee acc. to the schedule of prices and services	Price fixing incl. spread premiums and discounts
Takes into account the market depth of the relevant refe-rence market	Without regard to the market depth
No before-hours and after-hours trading	Before-hours and after-hours trading is possi-ble

Please, observe the special terms and conditions for CFDs on the CONTREX platform.