

# SCHEDULE - RISK DISCLOSURE STATEMENT FOR TRADING IN SECURITIES AND EQUITY- LINKED INSTRUMENTS AND FOR INVESTMENT IN STRUCTURED TRANSACTIONS

The Risk Disclosure Statement contained in this Schedule shall apply where you trade in securities and equity-linked products and where you invest in structured transactions.

The objective of this statement is to explain to you the nature of trading in securities and equity-linked products and investing in structured transactions prior to your undertaking of such transactions in securities, equity-linked products and structured transactions. This statement may not be sufficient to explain all the risks of trading in securities and equity-linked products and investing in structured transactions. You should therefore fully understand the nature of the transactions, how they actually work, the extent of their exposure to risks and the potential losses that could be incurred. You should carefully consider whether trading in securities and equity-linked products and investing in structured transactions is suitable for you in the light of your financial resources, experience, objectives for engaging in the transactions, ability to bear risks and other relevant circumstances. You should fully understand and be aware that it is your sole responsibility to make your own independent appraisal and investigation into the risks associated with the desired transaction or product. You should, therefore, consult with your own legal, tax, financial and other relevant professional advisers prior to entering into any particular transaction. You must also ensure that you have sufficient knowledge, experience, sophistication and professional advice to make your own evaluation of the merits and risks of entering into such transactions.

In this statement, "company" includes OSPL.

## TRADING IN SECURITIES

In considering whether to trade in securities or enter into any such transaction, you should be aware of the following:

- (a) Trading in securities can be extremely risky. You should be prepared to lose all of the funds used for trading in securities. You should not fund your security trading activities with retirement savings, emergency funds or funds set aside for purposes such as education or home ownership.
- (b) You should be cautious of claims of large profits from trading in securities. You need to be wary of advertisements or other statements that emphasise the potential for large profits in trading in securities. Trading in securities can also lead to large and immediate financial losses.
- (c) Trading in securities requires knowledge of the securities markets. Trading in securities require in-depth knowledge of the securities markets and trading techniques and strategies. In attempting to profit through trading in securities, you must compete with professional, licensed traders employed by securities companies. You should have the appropriate experience before engaging in the trading of securities.
- (d) Trading in securities requires knowledge of a company's operations. You should be familiar with a securities company's business practices, including the operation of the company's order execution systems, procedures, and should confirm that a company has adequate systems capacity to permit you to engage in securities trading activities.
- (e) Trading in securities may result in large commissions. Trading in securities may require you to trade your accounts aggressively, and pay commissions on each trade. The total daily commissions that you pay on trades may add to losses or significantly reduce earnings.
- (f) Trading in securities normally requires the use of specialized software. You must

be knowledgeable in the use of this software. Otherwise, you may not be able to correctly interpret your security positions, trades may be entered or routed incorrectly, positions may not be correctly closed out, and you could be at a competitive disadvantage to more skilled traders.

- (g) Disruptions in the electronic trading systems or failure, interruption or down time of the computer hardware, communication lines, and data networks could disrupt trading and the liquidity and availability of timely execution or reporting could diminish substantially. This could result in substantial losses, especially during periods of volatility.
- (h) Securities can be very volatile and can open at dramatically different prices on the opening of each day. Similarly, regulatory authorities can halt trading in a security or securities and prices can vary dramatically at the reopening with no interim capability of trading during the halt. Holding large positions in volatile securities, especially after the end of the trading day, can result in tremendous losses.
- (i) Market and specific security volatility adds to the risk on on-line trading. High volumes of trading at the market opening or intra-day may cause delays in execution and executions at prices significantly away from the market price quoted or displayed at the time the order was entered. Market makers may execute orders manually or reduce their size guarantees during periods of volatility resulting in possible delays in order execution and losses. Program trading, institutional buying/selling, mutual fund buying/selling, and news related events also add to the volatility of the overall market and specific securities.
- (j) Companies are required to execute a market order fully and promptly without regard to price and that, while you may receive a prompt execution of a market order, the execution may be at a price significantly different from the current quoted price of that security. Limit orders will be executed only at a specified price or better than that, while you receive price protection, there is the possibility that the order will not be executed. Since market orders must be executed as promptly as possible, it may not be feasible to cancel a market order since it may have already been executed, even if a customer has not yet received a report confirming the execution. Entering a cancel order and separate replacement order may result in you being responsible for the execution of duplicate orders.
- (k) You may suffer market losses during periods of volatility in the price and volume of a particular stock when system problems result in inability to place buy or sell orders. If you trade on-line, you may experience difficulties accessing your accounts due to high Internet traffic or because of system's capacity limitations. When on-line trading has been disabled or is not available because of system limitations, you may have difficulty reaching our representatives on the telephone during periods of high volume.
- (l) If you have filled out a trading authorisation and designated someone other than yourself to trade your capital, you should be aware this opens up new risks. The trader will have discretion to trade any securities he/she deems appropriate. The trader will have no legal responsibility to report and trades or executions to you. You may not be able to monitor your capital at times on a real time basis. If the trader is unreliable or unsuccessful, you could lose all of your capital.
- (m) Security is a key requirement for your protection. You must protect your user identification and password. You must also protect against computer entry by someone other than yourself. You are responsible for all trades entered under your user identification and password.
- (n) It is very important that you reconcile your account on a daily basis. Your review should include confirmations and monthly statements. You must always know your buying power and positions held in your account. Any suspected errors should immediately be brought to the attention of OSPL. All losses are your responsibility. The sole responsibility of OSPL shall be limited to loss of funds caused solely by the fraudulent or dishonest acts of its employees.

## TRADING IN EQUITY-LINKED INSTRUMENTS

The return component of equity-linked instruments is based on the performance of a single security, a basket of securities, or an equity index. You may suffer capital loss should the price of the underlying shares go against you. In extreme cases, you may lose your entire capital. The maximum return on investment is usually limited to a predetermined amount of cash as specified in the equity-linked instruments. So even if your view of the direction of the underlying stock price is correct, you will not gain more than the specified amount. The return payable for the equity-linked instruments is determined at a specified time on the valuation date, irrespective of the fluctuations in the underlying stock price before or after the specified time. Unlike traditional time deposits, there is no guarantee that you will get a return on your investment or any yield. There is also a possibility that the note issuers will default on their obligation in returning you the purchase principal or in selling you the underlying securities. When you buy equity-linked instruments for higher returns, you must be prepared to take higher risks.

## TRADING WITH SHARE FINANCING ACCOUNTS

Before trading securities in a share financing account, you should carefully review the share financing agreement provided by your company. Consult your company regarding any questions or concerns you may have with your margin accounts.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your brokerage company. If you choose to borrow funds from your company, you will open a margin account with the company. The securities purchased are the company's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the company can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with the member, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin.

These risks include the following:

- (a) You can lose more funds than you deposit in the share financing account. A decline in the value of securities that are purchased on margin may require you to provide additional funds to the company that has made the loan to avoid the forced sale of those securities or other securities or assets in your account(s).
- (b) The company can force the sale of securities or other assets in your account(s). If the equity in your account falls below the maintenance margin requirements or the company's higher "house" requirements, the company can sell the securities or other assets in any of your accounts held at the company to cover the margin deficiency. You also will be responsible for any short fall in the account after such a sale.
- (c) The company can sell your securities or other assets without contacting you. Some investors mistakenly believe that a company must contact them for a margin call to be valid, and that the company cannot liquidate securities or other assets in their accounts to meet the call unless the company has contacted them first. This is not the case. Most companies will attempt to notify their customers of margin calls, but they are not required to do so. However, even if a company has contacted a customer and provided a specific date by which the customer can meet a margin call, the company can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the customer.
- (d) You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call. Because the securities are collateral for the margin loan, the company has the right to decide which security to sell in order to protect its interests.

- (e) The company can increase its “house” maintenance margin requirements at any time and is not required to provide you advance written notice. These changes in company policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may result in the company liquidating or selling the securities in your account(s).
- (f) You are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.

## TRADING WITH SECURITIES BORROWING ACCOUNTS

You should carefully review the securities borrowing agreement provided by your company. Consult your company regarding any questions or concerns you may have with your securities borrowing accounts.

When you effect a sell order of securities that you do not own with the intention of buying it at a lower price than you sold it, you are short-selling. You must borrow the relevant quantity of securities sold from the company for delivery at the time of the sale. Accordingly, you are required to open a securities borrowing account with the company. You will have to pay borrowing fees to the company. You do not own the securities that you have borrowed, accordingly any dividends or rights declared during the course of the loan belong to the company.

As you have borrowed securities from the company, you are trading on margin. Therefore, all the risks of margin trading (discussed above) are applicable.

Short-selling is extremely risky. At a certain point in time, you must “close” your short position by buying the same number of shares and returning them to the company. If the price of the securities rises, you have to buy them at a higher price. Since there is no limit to how high a stock can be priced, there is no limit as to how much you can lose. Your losses are therefore infinite. If the stock splits during the course of your short position, you will owe the company twice the number of shares at half the price. The company can demand the return of the securities borrowed at any time.

## TRADING IN FOREIGN SECURITIES

You should only invest in foreign securities if you understand your exposure to risk. You should not rely on this information as a complete explanation of the risks of investing in foreign securities. You should ask your company for copies of risk disclosure statements issued by foreign brokerage companies that it trades with on your behalf for a full understanding of the risks involved in trading securities in that foreign country.

In considering whether to trade in foreign securities or enter into any such transaction, you should be aware of the following:

- (a) All orders to buy and sell securities are made in the relevant foreign currency but the settlement amount may, at your request, be converted and paid in Singapore dollars. The currency conversion will occur after the trade has occurred. You carry the risk that the foreign exchange rate may have changed since your order was entered. The volatility of the exchange rate is a matter you should consider. The past performance of the exchange rate is not necessarily a guide to future performance. Depending on the circumstances and timing of the transaction, and relevant movements in currencies during that period, the difference between what you originally expected to pay or receive and what you actually pay or receive may be substantial. In extreme cases, currency volatility may significantly erode potential profits (or significantly increase any losses) you make from buying or selling the relevant foreign securities.
- (b) While you hold foreign securities, you are exposed to the risks of currency movements. Changes in the relevant foreign exchange rate may adversely affect the value of your investment and the investment return. Understanding

how the exchange rate impacts your investment is important. The direction of the Singapore dollar will influence the value of your foreign investments. Ignoring market price movements, if the value of the Singapore dollar falls relative to the currency in which securities are denominated, then the value of your foreign securities will rise in Singapore dollar terms. Conversely, if the value of the Singapore dollar rises, then the value of your foreign securities will fall. Similarly, movements in the relevant exchange rate will impact on the Singapore dollar value of any dividends or distributions you receive.

- (c) You may suffer liquidity risk in that you will not be able to dispose of your foreign securities for a reasonable price in the market. Like all markets, this may be because there are insufficient buyers for the foreign securities, or the price buyers are prepared to pay is lower than sellers are prepared to accept. Overseas markets may have lower trading volumes and fewer listed companies. The trading times for each day may be different to the Singapore market. Factors such as these may affect the liquidity of trading in the foreign securities.
- (d) Some foreign markets are much more volatile than the Singapore market, and this can have adverse consequences for orders designated “at market”. To limit this risk you should always consider putting a “limit price” on your orders. Volatility can be particularly high in markets that continue to operate outside normal trading hours in other countries.
- (e) The market price of foreign securities is affected by the same risks that affect all stock market investments. These include the present and anticipated economic environment, investor sentiment, interest rates, exchange rates and the general level of economic activity. However, it may be difficult to fully understand all of the political, economic and social factors that influence the relevant overseas market. While these factors provide benefits of diversification, they also contribute to the risk of investing overseas.

## STRUCTURED TRANSACTIONS

Where a transaction is “structured” or made up of several instruments, you should be aware that there are risks associated with each instrument evaluated separately and risks associated with the transaction evaluated as a whole. Therefore, your assessment of the transaction should involve consideration of the individual instruments and the transaction as a whole.

Certain transactions may be high risk transactions and the net outcome may depend on the performance of underlying reference obligations, assets and/or certain other financial instruments or indices (the “Underlying Indicator”), whether the Underlying Indicator forms part of the security under the transaction or not. You should therefore ensure that you fully understand the risks involved in the Underlying Indicator and satisfy yourself that you are willing to accept such risks.

As “structured” transactions are usually executed over-the-counter, you should be aware that, accordingly, it may be difficult for you to liquidate an existing position under, assess the value of, determine a fair price for or assess your exposure to risks under such transactions. You should factor in this uncertainty in your overall consideration of the potential impact on your investment in the transaction.

## CREDIT RISKS

The company may not always be your contractual counterparty or the issuer under certain transactions. Where the company is not your contractual counterparty or the issuer, your contractual counterparty or a third party issuer (and not the company) will be liable to you under the transaction or otherwise in respect of a product purchased by you. Accordingly, in considering whether or not to enter into the transaction, you should take into account all risks associated with such counterparty or third party issuer, including the counterparty’s or issuer’s financial standing.

Certain transactions also involve the assumption by you of credit risks which you should ensure you are able to evaluate.

### COUNTERPARTY RISKS

You should ensure that you are aware of the identity of the contractual counterparty you are or may be matched with. Often, you will be purchasing an unsecured obligation of such counterparty and you should evaluate the comparative credit risk.

If the company is your counterparty, you must note that the company deals with you at arms' length as your counterparty. In such a case, unless the company agrees in writing or unless otherwise required by law, the company is not your fiduciary, nor is it willing to accept any fiduciary obligations to you. Any dealing, trading or engagement or transaction with the company by you could result in a loss to you and a gain to the company. The company does not and will not give you any advice whether written or oral other than any representations expressly set forth in any relevant agreement and any confirmation which may be signed or executed by you after negotiations with the company as your counterparty.

Your net returns from a transaction would also be affected by the transaction costs (which include commission, fees and other charges) charged by the company. You should consider these costs in any risk assessment made by you.

You should be aware that the company is engaged in certain customer driven and proprietary activities in many markets. These general activities, as well as the company's hedging activities which are related to certain transactions entered into with you, may adversely affect the value of such transactions.