

FX CAPITAL

— MANAGED ACCOUNT —

Annex to Terms of Business

Contracts for Differences & Financial Spread Bets

1. Scope

- 1.1 The clauses in this Annex of the Terms of Business governing your relationship with Wallwood Consultants Limited apply to transactions in contracts for differences ("CFDs") & Financial Spread Bets, which are Contingent Liability Transactions, as that term is defined in the Terms of Business ("CFD Transactions").
- 1.2 CFD Transactions we undertake for you will normally constitute "Contracts for Differences" (as described in article 85 of The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001) in respect of the value of an underlying instrument, for example a quoted share in a company, index or commodity (the "Underlying Instrument"). Delivery of the Underlying Instrument is not contemplated and you do not own the Underlying Instrument.
- 1.3 You should be aware that the product information contained in this Annex is not necessarily a comprehensive description of all aspects of the product. Additionally, specific products may be tailored for a particular client or market and may differ in detail from the outline set forth in this Annex. The terms of the particular transactions will prevail over the product description and information given in this disclosure.

2. CFDs & Financial Spread Bets.

- 2.1 You must familiarise yourself with the nature of CFD trading, the terminology and the jargon used and the procedures involved before you enter into any transaction.
- 2.2 CFDs & Financial Spread Bets carry a high degree of risk. The gearing and leverage that is obtainable with all CFD trading means that you only need to place a small deposit to commence trading with us although this small deposit may result in large losses or large gains. We explain the risks involved with CFD trading in our Investment Risk Warnings, annexed to our Terms of Business and which you must read and understand before you enter into any transaction with us. The Risk Warning Notice is helpful but does not set out all the risks that may apply to you when trading CFDs with us. It is your responsibility to ensure that you are fully aware of all these risks before you enter into any transaction;
- 2.3 When trading CFDs & Financial Spread Bets you trade on the outcome of changes to the price of a financial instrument. This trading does not occur on an exchange. Rather the trading occurs off-exchange or over the counter ("OTC"). As a result Wallwood or its third party providers enter directly into a contract with you in respect of the financial instrument you wish to trade.
- 2.4 CFD Transactions involve a contract whereby you agree to exchange, when the contract ends, the difference between the opening price of the Underlying Instrument and the closing price of the Underlying Instrument multiplied by the number of units detailed in the contract. If the price of the Underlying Instrument moves in your favour then you will receive the difference. Alternatively, if the price of the Underlying Instrument moves against you will pay the difference. Regardless of how the price of the Underlying Instrument moves you will also be required to pay us commission, interest charges on positions held overnight, and additional margin ("Variation Margin") depending on how the value of the Underlying Instrument moves each day.
- 2.5 You can take a view on the price of the Underlying Instrument increasing by "Going Long" or you can take a view on the price of the Underlying Instrument decreasing by "Going Short". The prices that we quote for each CFD are normally labelled as the "Bid Price" and the "Offer Price". The Bid Price will always be less than the Offer Price. The difference between the Bid Price and the Offer Price is known as the "Spread".
- 2.6 If you were Going Long, the opening price of the units in the Underlying Instrument would be fixed at our Offer Price. If the Bid Price at the end of the contract is greater than the Offer Price at the commencement of the contract then, subject to the deduction of applicable charges, you will receive a sum calculated by multiplying the number of units that the contract represents by the difference between the Offer Price at the beginning of the contract and the Bid Price at the end of the contract. However, if the Bid Price at the end of the contract does not exceed the Offer Price at the commencement of the contract you will be required to pay a sum calculated by multiplying the number of units that the contract represents by the difference between the Offer Price at the beginning of the contract and the Bid Price at the end of the contract. Regardless of how the price of the Underlying Instrument moves you will also be required to pay commission, applicable interest charges and Variation Margin.
- 2.7 If however you were Going Short, the opening price of the units in the Underlying Instrument would be fixed at the Bid Price. If the Offer Price at the end of the contract is less than the Bid Price at the commencement of the contract then, subject to the deduction of applicable charges, you will receive a sum calculated by multiplying the number of units that the contract represents by the difference between the Bid Price at the beginning of the contract and the Offer Price at the end of the contract. However, if the Offer Price at the end

of the contract is greater than the Bid Price at the commencement of the contract you will be required to pay a sum calculated by multiplying the number of units that the contract represents by the difference between the Bid Price at the beginning of the contract and the Offer Price at the end of the contract. Again, regardless of how the price of the Underlying Instrument moves you will also be required to pay us commission, applicable interest charges and Variation Margin.

2.8 A list of some of the Underlying Instruments that we offer CFDs in respect of is available on our website www.wallwood.com through the brokers utilised. We will consider offering CFDs on other instruments on request.

2.9 Whenever any CFD Transaction is entered into to close out any existing CFD Transaction, then the obligations under both sets of CFD Transactions shall automatically and immediately be terminated upon entering into the second CFD Transaction, except for any settlement difference payment due in respect of such closed out CFD Transactions.

3. Margin & Leverage

3.1 By trading in CFDs you will be required to provide a certain amount of margin and we will then leverage that margin. This exposes you to a high degree of risk. Leverage is the amount, expressed as a multiple, by which the notional amount traded exceeds the margin required to trade.

3.2 Subject to the Individually Agreed Terms Schedule of this Annex we will advise you of the amount of margin that we will require on a transaction by transaction basis. If the price of the Underlying Instrument moves against your interests you may be called upon to deposit additional margin at short notice and we may close out your position without notice if we do not receive the additional margin from you.

4. Stop, Limit Loss & Take Profit Orders

Subject to your Individually Agreed Terms Schedule you may be able to agree with us to limit your losses while trading CFDs by using stop loss, limit loss or take profit orders. These facilities may help you limit your exposure to us and we strongly recommend that you consider the use of such facilities.

5. Stamp Duty

Currently persons acquiring CFDs are not required to pay stamp duty.

6. Equity CFDs: Dividends & Company Meetings

6.1 You will receive payment in lieu of dividends to long equity CFD positions and you will be required to make payment to us in lieu of dividends from short CFD positions.

6.2 An equity CFD holder is not entitled to vote at any company meeting.

7. Netting

Any CFD Transaction to which this Annex applies shall, subject as follows, be deemed included in the definition of "Netting Transaction" for the purposes of the Terms of Business and subject to termination and liquidation under the clause headed "Netting" (the "Netting Clause") following an Event of Default. The Netting Clause shall not apply to any Futures and Options Transaction to the extent that action which conflicts with or overrides the provisions of the Netting clause has been started in relation to that Futures and Options Transaction by a Market or clearing organisation under applicable law and regulations and is continuing.

8. Trading Times

In respect of most CFDs prices will be quoted in CFDs when the market for the Underlying Instrument is open.

9. Commission

We charge commission in respect of some CFDs. The terms of the commission will be agreed individually with you.

10. Interest

We charge interest on leverage in respect of some long positions held overnight and we pay interest in respect of some short positions held overnight. Whether we will charge (or pay) interest, and the rate of the interest, will be agreed individually with you. The rate of interest offered to you may differ depending on whether you are Going Long or Going Short. Wallwood may make a profit from the difference in the interest offered to persons Going Long and the rate of interest offered to persons Going Short.

11. Interpretation

In the event of any conflict between the clauses of this Annex and the Terms of Business, the clauses of this Annex shall prevail. The fact that a clause is specifically included in an Annex in respect of one Market or Futures and/or Options Transactions shall not preclude a similar clause being expressed or implied in relation to any other Market or Futures and/or Options Transactions.

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Authorised and Regulated by the Financial Services Authority under registration number 190011

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