

This information is provided to you in accordance with the requirements of the MIFID Directive. This information does not disclose all the risks and vital characteristics of financial instruments which you may trade, however it is designed to give you an understanding of the major risks and characteristics. You should not deal in financial instruments unless you are aware of the transactions you are entering into. You should obtain a clear explanation of all commissions, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss. You should understand the extent of your exposure to potential loss.

The value of financial instruments may go up or down. When investing in financial instruments there is a risk that you may lose some or all of your original investment. You should consider whether investing in financial instruments is suitable for you in light of your individual circumstances and taking account of your investment objectives and financial position. In deciding whether certain financial instruments are suitable investments the following information describing the nature and risks of such instruments should be carefully considered:

## Non-complex financial instruments

### Shares / Equities

Owning shares in a company provides an opportunity to share in a company's profit and performance, in the form of dividends and capital growth. Individual shares and stock markets can be volatile, especially in the short-term. Some shares are likely to be more volatile than others. This will be based, among other things, on the nature and size of the company and the liquidity/price of the stock. Potential investors should be familiar with any company they plan to invest in. Share portfolios are at a greater risk of significant loss if there is a lack of diversity (an over reliance on stocks in one particular company/industry sector/country). Other than the cost of acquiring shares you will not be subject to any margin requirements or financial commitments/liabilities. However, as the value of shares may go up or down, when investing in shares there is a risk that you may lose some or all of your original investment.

### ETFs

Exchange Traded Funds (ETFs) are investment products that provide investors with an opportunity to invest in a diversified basket of shares through one investment instrument. An ETF will generally track the shares of companies that are included in a selected market index, investing in either all of the shares or a representative sample of the shares of the selected index.

The performance of an ETF is likely to be reflective of the performance of the index upon which the ETF is based. ETFs are more liquid than normal funds and can be traded in the same way as any normal share. Like shares, ETFs can be subject

to volatility, especially in the short term. Some ETFs are likely to be more volatile than others. This will be based, among other things, on the nature and size of the underlying companies and the liquidity/price of the underlying stocks.

Potential investors should be familiar with the nature of the underlying companies of any ETF they plan to invest in. Other than the cost of acquiring ETFs, you will not be subject to any margin requirements or financial commitments/liabilities. However, as the value of ETFs may go up or down, when investing in ETFs there is a risk that you may lose some or all of your original investment.

### ETCs / Commodity ETFs

A commodity is a product or resource that is traded primarily on the basis of price, and not on differences in quality or features. Examples include precious metals, many agricultural products, fuels, and minerals.

Historically, commodities have been quite complicated to trade, but in recent years alternative and simpler means of investing in commodities have arrived. An exchange-traded commodity (ETC) is one such means for investors to invest in specific commodities or a general commodity index, such as cocoa or precious metals. ETCs work by investing in real commodities via future contracts and in doing so track a specific commodity or a general commodity index.

The performance of an ETC is likely to be reflective of the performance of the commodity or basket of commodities upon which the ETC is based. ETCs can be traded in the same way as any normal share but can be subject to significant volatility, both in the long term and the short term. Some ETCs are likely to be more volatile than others.

Potential investors should be familiar with the nature of the underlying commodity or commodities of any ETC they plan to invest in. Other than the cost of acquiring ETCs, you will not be subject to any margin requirements or financial commitments/liabilities. However, as the value of ETCs may go up or down, when investing in an ETCs there is a risk that you may lose some or all of your original investment.

### Bonds

A bond is a debt instrument in which the issuer promises to pay to the bondholder principal and interest according to the terms and conditions of the particular bond. Although not to the same extent as shares, bonds can be subject to significant price shifts. Bonds can also be subject to default and the non payment of interest and/or principal by the lender. As with shares some bonds are considered to be safer than others. In general, Government Bonds are considered to be subject to less risk than Corporate Bonds. Bond ratings give an indication of an issuer's probability of defaulting, based on an analysis of the issuer's financial condition and profit potential.



Other than the cost of acquiring Bonds, you will not be subject to any margin requirements or financial commitments/liabilities. However, as the value of Bonds may go up or down, when investing in Bonds there is a risk that you may lose some or all of your original investment.

### **Warrants**

A standard warrant is a time limited right to subscribe for shares, debentures, loan stock or government securities, and is exercisable against the issuer of the securities. Warrants often involve a high degree of gearing, meaning that a small movement in the price of the underlying asset, whether favourable or adverse, could result in a larger movement in the price of the covered warrant. The price of a warrant may therefore be volatile. You should be aware that if a warrant does not perform as expected you could lose the whole of your investment plus any commission or transaction charges.

There are two different types of warrants: a call warrant and a put warrant. A call warrant represents a specific number of shares that can be purchased from the issuer at a specific price, on or before a certain date. A put warrant represents a certain amount of equity that can be sold back to the issuer at a specified price, on or before a stated date.

Money Market Instruments – The money market is a highly liquid professional dealer market that facilitates the transfer of funds (generally in very large denominations) between borrowers and lenders. It generally relates to those instruments that allow for borrowing and lending periods ranging from 1 day to 1 year.

Although money market instruments carry less risk than long-term debt they are not completely without risk. Different instruments carry varying degrees of risk depending on the nature of the lending agreement and the identity of the lender. Potential investors should be aware of such details prior to entering into any money market transactions.

### **Common money market instruments include:**

- Exchequer Notes
- Commercial Paper
- Treasury Bills
- Repurchase Agreements
- Bankers Acceptance

In general other than the cost of acquiring money market instruments, investors are not subject to any margin requirements or financial commitments/liabilities. As the value of money market instruments may go up or down, when investing in such instruments there is a risk that you may lose some or all of your original investment.

UCITs – An Undertaking for collective investments in transferable securities or UCIT is a specific type of collective investment that can be operated freely throughout the EU. As with other collective investments, UCITs tend to invest in a range of individual securities, giving investors the opportunity to invest in a diversified product.

UCITs can be subject to volatility, especially in the short term. Some UCITs are likely to be more volatile than others. This will be based, among other things, on the nature and size of the underlying securities and the liquidity/price of the underlying securities.

Potential investors should be familiar with the nature of the underlying securities in any UCIT they plan to invest in. Other than the cost of investing in UCITs, you will not be subject to any margin requirements or financial commitments/liabilities. However, as the value of UCITs may go up or down, when investing in UCITs there is a risk that you may lose some or all of your original investment.

## **General risks in relation to financial products**

### **Market Availability**

Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets may increase the risk of loss by making it difficult or impossible to effect transactions.

### **Transactions in other jurisdictions**

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade you should enquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before your start to trade.

### **Currency risks**

The profit or loss for transactions in foreign currency-denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

### **Trading facilities**

Most open-outcry and electronic trading facilities are supported by computer based component systems for the order-routing execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Such limits may vary. You should ask the firm with which you deal for details in this respect.



### Electronic trading

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.

### Off-exchange transactions

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarise yourself with applicable rules and attendant risks.

### Foreign Markets

Foreign markets will involve different risks to Irish markets. In some cases, the risks will be greater. On request, your broker must provide an explanation of protections which will operate in any relevant foreign markets, including the extent to which he/she will accept liability for any default of a foreign broker through whom he deals. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

### Interest Rates

Changes in interest rates can have an effect on the value of securities. The value of securities, especially bonds can fall with a rise in interest rates as other investments reflecting the new higher interest rate offer greater returns. Such risk can be offset by diversifying the durations of fixed-income investments held.

Alternatively, if interest rates fall, then the value of bonds and other securities may rise.

### Complex financial instruments

The following information does not disclose all the risks and features of trading in derivative products such as CFD's, warrants, futures and options. The price of derivatives products, are directly dependent upon the value of one or more investment instruments. Volatility in these underlying instruments may have a profound effect on the value of such derivative products. Trading in derivatives is not suitable for many retail clients. You should not deal in derivatives unless you understand the nature of the transactions you are entering into and the extent of your exposure to risk and potential loss.

You should carefully consider, and if necessary, seek professional advice to determine whether trading is appropriate for you in the light of your experience, objectives, financial resources and other relevant circumstances. Different instruments involve different levels of exposure to risk, and in deciding whether to trade in such instruments you should be aware of the following information:

### Financial CFDs

A Contract for Difference (CFD) is an agreement between two parties to exchange the difference between the value of the opening and closing contract, which represents the performance of an underlying share. The economic benefits of share ownership accrue to the CFD without the requirements of physical delivery (i.e. the investor does not need to own the underlying instrument). A CFD is an open ended contract with no pre-determined settlement date. Transactions in CFDs are subject to margin requirements and bring about financial commitments and liabilities additional to the initial margin outlay at the time of purchase or sale of a CFD.

A CFD provider requires margin in the form of cash or other acceptable collateral, before a position in a CFD can be taken. This is called the "initial margin". The amount of margin is small relative to the underlying value of the contract so that the transactions are "leveraged" or "geared". If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit. When you go short a CFD, (e.g. have a short position in an underlying security) then risk is unlimited. You should be very familiar with the underlying security of any CFD agreement you enter into.

### Futures

A futures contract is a standardised contract to buy or sell a certain underlying instrument at a pre-determined date in the future, at a pre-set price. The price of a futures contract is equal to the price of the underlying asset on the delivery date. Transactions in futures carry a high degree of risk, are subject to margin requirements and bring about financial commitments and liabilities additional to the cost of acquisition.

The amount of initial margin required to initiate a futures contract is small relative to the value of the contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit. This may work against you as well as for you. You may sustain a total loss of initial margin funds as well as any additional funds deposited with the firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If



you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit.

The placing of certain orders (e.g. “stop-loss” orders, where permitted under local law, or “stop-limit” orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as “spread” and “straddle” positions may be as risky as taking simple “long” or “short” positions.

### Options

An option is a contractual agreement between two parties to give the holder the right, but not the obligation, to buy or sell a specific amount of stock, commodity, currency, index or debt at a specified price during a specific period of time. Transactions in options carry a high degree of risk, are subject to margin requirements and bring about financial commitments and liabilities additional to the cost of acquisition.

Purchasers and sellers of options should familiarise themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs. The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see the section on Futures above). You should be aware that options typically have a limited life, and therefore purchased options may expire worthless if the underlying asset does not perform as expected, in which case you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling (“writing” or “granting”) on option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller may be liable for additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities or margin (see the section on Futures above). If the option is “covered” by the seller holding a

corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited. Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at the time.

### Covered Warrants

Covered warrants have similar characteristics to an option and they give the investor the right but not the obligation to buy (in the case of a call warrant) or to sell (in the case of a put warrant) an underlying asset at a predetermined price (known as the strike or exercise price) on or before a predetermined date (known as the expiry or exercise date). The cost of a warrant is the premium plus transaction costs. A covered warrant which has no leverage is often referred to as a certificate. You should be aware that if a covered warrant does not perform as expected you could lose the whole of your investment. Investors can be subject to large / potentially unlimited liability depending on the type of warrant transaction they enter into. This may require the investor to make margin payments.

## General risks in relation to financial products

### Market Availability

Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets may increase the risk of loss by making it difficult or impossible to effect transactions.

### Transactions in other jurisdictions

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade you should enquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

### Currency risks

The profit or loss for transactions in foreign currency-denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.



### Trading facilities

Most open-outcry and electronic trading facilities are supported by computer based component systems for the order-routing execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Such limits may vary. You should ask the firm with which you deal for details in this respect.

### Electronic trading

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.

### Off-exchange transactions

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarise yourself with applicable rules and attendant risks.

### Foreign Markets

Foreign markets will involve different risks to Irish markets. In some cases, the risks will be greater. On request, your broker must provide an explanation of protections which will operate in any relevant foreign markets, including the extent to which he/she will accept liability for any default of a foreign broker through whom he deals. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

### Interest Rates

Changes in interest rates can have an effect on the value of securities. The value of securities, especially bonds can fall with a rise in interest rates as other investments reflecting the new higher interest rate offer greater returns. Such risk can be offset by diversifying the durations of fixed-income investments held.

Alternatively if interest rates fall, then the value of bonds and other securities may rise.

### Additional Futures and Options risks:

#### Terms and conditions of contracts – Futures and Options

You should ask the firm with which you deal about the terms and conditions of the specific futures or options which you are trading and associated obligations (e.g. the circumstances under which you may become obligated to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

#### Suspension or restriction of trading and pricing relationships – Futures and Options

Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or "circuit breakers") may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

Further normal pricing relationships between the underlying interest and the future and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge "fair" value.

---

## DOLMEN STOCKBROKERS

75 St. Stephens Green, Dublin 2, Ireland. Tel: +353 1 633 3800/1850 365 636.

Dolmen Stockbrokers is a member firm of the Irish Stock Exchange & London Stock Exchange.  
Dolmen Stockbrokers is regulated by the Financial Regulator.







