

Groupe Crédit Mutuel CM11



## Terms and Conditions for Investment Services

### Market Activities



3 January 2018

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## Introduction

These Terms and Conditions for Investment Services are made available to the client (hereinafter the “Client”) by the Crédit Mutuel CM11 Group (hereinafter the “Service Provider”), and are intended to govern the relationship between the Client and the Service Provider within the framework of its provision to the Client of Investment Services relating to Financial Instruments, as defined below. These Terms and Conditions supersede any prior Service Agreement entered into with the Client.

Special conditions or marketplace master agreements may also apply to the Client (the “Specific Conditions”) for the provision of Investment Services by the Service Provider. In the event of inconsistency between these Terms and Conditions and any special conditions, the Specific Conditions shall prevail.

The provisions of these Terms and Conditions may be updated by the Service Provider; any such update will be published on the Service Provider’s website. The Client will be informed of any such updates. The Client should therefore consult the Service Provider's website for the latest updated version of the Terms and Conditions.

## Preliminary section

### Definitions

The terms used in these Terms and Conditions are defined as follows:

- **Account:** The account(s) opened in the Client’s name in the Service Provider’s books or with any other entity, in which cash and/or Financial Instruments are held and in which all of the Client's transactions are recorded by way of debit and credit entries.
- **AMF:** Autorité des Marchés Financiers.
- **AMF GR:** General Regulation of the Autorité des Marchés Financiers.
- **Best Execution:** Obligation of the Service Provider to take all necessary measures, when executing orders, to obtain the best possible result for its Clients, under the conditions defined in Article 27 of European Directive 2014/65/EU of 15 May 2014, Article L. 533-18 of the FMFC and Articles 314-69 to 314-74 of the AMF GR, and in accordance with the Service Provider’s execution policy.
- **Business Day:** Any day on which of the Service Provider’s premises are open for business.
- **Claims handling procedure:** Procedure by which the Service Provider processes claims addressed by its Clients, in accordance with the provisions of the AMF GR.

- **Confirmation:** Document or message issued by the Service Provider or, where applicable, by an electronic system specifying the conditions of execution of one or more Transactions performed as a result of an Order.
- **Custodian:** Any custodian account keeper within the meaning of the AMF General Regulation (AMF GR) responsible for the custody of the Client's assets and with which the Financial Instruments and/or cash registered by the Service Provider in the Client's account(s) are the object of a Settlement.
- **Custodian-Account Keeper:** The Service Provider providing the related Custody-Account Keeping service.
- **Custody-Account Keeping:** Service related to investment services provided for in Article L. 321-2, 1 of the FMFC.
- **Execution Venue(s):** Any venue on which the Client's Orders are executed in accordance with the Service Provider's execution and selection policy. Please note that the Service Provider, which is authorised to carry out Proprietary Trading and for this purpose executes certain of its clients' orders on its own account, is considered as an Execution Venue within the meaning of this definition.
- **Failure:** Partial or total non-execution of a Settlement between the Service Provider and a Custodian acting on behalf of the Client on the day specified by the rules applicable to the Transaction covered by the said Settlement, regardless of the cause of the non-execution.
- **Financial Instruments:** Financial instruments referred to in Article L. 211-1 of the FMFC, including:
  - shares and other securities giving or potentially giving access, directly or indirectly, to the capital or voting rights of a company;
  - debt instruments representing a claim on the corporation issuing them, excluding commercial paper and cash vouchers;
  - units or shares of collective investment organisations;
  - financial contracts as referred to in Article D. 211-1 A of the FMFC.
- **FMFC:** French Monetary and Financial Code.
- **Investment Advice:** Investment service defined by Article D. 321-1, 5 of the FMFC as the provision of personalised recommendations to a third party, either at its request or at the initiative of the company providing the advice, relating to one or more Transactions in Financial Instruments.
- **Investment Services:** The investment services that the Service Provider may provide to the Client and the objects of these Terms and Conditions, namely:
  - order execution for third parties;
  - Receipt and Transmission of Orders for third parties (RTO):

- Proprietary Trading;
  - Investment advice;
  - Underwriting of financial instruments;
  - Placing of financial instruments on a firm commitment basis;
  - Placing of financial instruments without a firm commitment basis.
- **Liquidation:** Settlement of a Position or set of Positions by the execution of a Transaction or a set of Transactions in the opposite direction and involving the same amount of Financial Instruments as the Transaction or set of Transactions having resulted in the opening of the Position.
  - **Net Position:** All Positions recorded on the Client's Account(s).
  - **Order:** Instruction given by the Client to the Service Provider to trade on its behalf on the Execution Venues.
  - **Order execution for third parties:** Investment service defined by Article D. 321-1, 2 of the FMFC as the conclusion of purchase or sale agreements relating to one or more Financial Instruments on behalf of a third party.
  - **Placing of financial instruments on a firm commitment basis:** Investment service defined by Article D. 321-1, 6-2 of the FMFC as the search for subscribers or purchasers on behalf of an issuer or a transferor of Financial Instruments and of guaranteeing it a minimum amount of subscriptions or purchases by committing to subscribe for or purchase unplaced Financial Instruments.
  - **Placing of financial instruments without a firm commitment basis:** Investment service defined by Article D. 321-1, 7 of the FMFC as the search for subscribers or purchasers on behalf of an issuer or transferor of Financial Instruments without guaranteeing it a minimum amount subscriptions or purchases.
  - **Position(s):** Commitment(s) resulting from a Transaction.
  - **Proprietary Trading:** Investment service defined by Article D. 321-1, 3 of the FMFC as purchasing, by committing its own capital, one or more Financial Instruments with a view to performing Transactions.
  - **Receipt and Transmission of Orders for third parties (RTO):** Investment service defined by Article D. 321-1, 1 of the FMFC as receiving and transmitting Orders relating to Financial Instruments to an Investment Service Provider on behalf of a third party.
  - **Related Services:** Services that the Service Provider may provide as defined in section B of Annex 1 of the European Directive 2014/65/EU of 15 May 2014.

- **Research:** Service defined in recital 28 of Delegated Directive (UE) 2017/593 dated 7 April 2016.
- **Service(s):** The services covered by these Terms and Conditions (Investment Services and Related Services).
- **Settlement:** Any settlement of cash and/or delivery of securities as a result of one or a set of Transaction(s).
- **Terms and Conditions:** All of the provisions contained in this document and its annexes.
- **Transaction:** Any purchase, sale, investment or subscription of Financial Instruments made pursuant to an Order.
- **Underwriting of financial instruments:** Investment service defined by Article D. 321-1, 6-1 of the FMFC as the act of subscribing or purchasing Financial Instruments directly from the issuer or the transferor with a view to selling them.

### **Clause 1: Purpose**

The purpose of these Terms and Conditions is to set out the conditions under which the Service Provider may provide the Client with Investment and/or Related Service(s) as defined above relating to Financial Instruments and for which it is authorised by the French Prudential Supervision and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution – ACPR*) located at 61 Rue Taitbout, 75009 Paris.

However, the Service Provider reserves the right to refuse, at its sole discretion, any transaction involving Financial Instruments on which it is forbidden to trade due to legal/regulatory provisions that would expose it to sanctions or in the event of technical impossibility for the Service Provider.

The Client should contact the Service Provider should it wish to take advantage of the Underwriting of financial instruments and/or the Placing of financial instruments on or without a firm commitment basis.

### **Clause 2: Agents – authorised persons**

The list of persons authorised by the Client to give instructions on its account is provided in a separate document. It specifies, where appropriate, the nature of the instructions that each person is authorised to give.

The Client must notify the Service Provider in writing as soon as possible after any modification is made to this list. Modifications notified in this manner only become effective for the Service Provider two days after the information is received. In the absence of such notification by the Client, the Service Provider cannot be held liable for transactions performed at the request of a person who is no longer authorised by the Client to transmit Orders on its behalf.

The Client is solely responsible for verifying that any person authorised to act on its behalf and who may thereby incur liability has sufficient knowledge of the regulations applicable to the Financial Instruments on which that person trades on the Client's account.

### **Clause 3: Client classification and assessment**

#### **3.1. Client classification**

3.1.1. In application of the regulations, the Client is informed that the Service Provider will classify it in one of the following categories in a separate document:

- Non-professional clients;
- Professional clients;
- Eligible counterparties.

3.1.2. It is informed of its right to request a different classification from that given by the Service Provider. However, the Service Provider is ultimately responsible for accepting or rejecting the Client's request for a change of classification. The conditions under which the Client may make such a request and the potential consequences in terms of its degree of protection are those set out in the AMF GR.

#### **3.2. Assessment of the appropriateness of the investment services provided**

3.2.1. In consideration of the information provided by the Client prior to the conclusion of the Terms and Conditions, the Service Provider analysed its knowledge and experience in the field of investment with respect to the Investment Services and its financial situation and investment objectives when providing the Investment Advisory Service (see specific section below).

The Service Provider may assume that Professional Clients and Eligible Counterparties within the meaning of Directive 2014/65/EU have the necessary knowledge and experience and that they are financially able to bear any risk related to the prospective investment.

The Service Provider takes reasonable steps to ensure that the information collected from the Client is reliable.

Subject to the provisions of Clause 3.2.4, the Service Provider will ensure, on the basis of the aforementioned information, that the Financial Instruments requested by the Client or offered to it under these Terms and Conditions are appropriate for it.

3.2.2. The Client undertakes to inform the Service Provider without delay of any change liable to have an impact on its classification or its ability to assess the characteristics of the transactions it requests or proposes and the particular risks that such transactions may entail.

Should the Client fail to comply with the disclosure obligation referred to in the preceding paragraph, the Client is informed that the Service Provider would no longer be able to assess, in the best interests of the Client, the appropriateness of the proposed or requested Financial Instrument or the Service to be provided.

Similarly, when informed of the occurrence of a change referred to in the first paragraph, the Service Provider would not be able to assess the appropriateness if it did not receive the relevant information from the Client. As such, prior to the provision of any Service, the Service Provider undertakes to draw the Client's attention to the risk that it may incur as a result of the non-appropriateness of the Financial Instrument or Service in relation to its investor profile.

3.2.3. The Client is informed that, in accordance with the provisions of the AMF GR, the assessment referred to in Clause 3.2.1 was made in relation to the person authorised to carry out Transactions on its behalf. In the event that the Client has appointed several agents, any change in the list of persons authorised to represent it in its relations with the Service Provider, under the conditions set out in Clause 2, will only give rise to a new assessment of competence if the change relates to the person who was the subject of the assessment or if the Client expressly requests it.

3.2.4. For so-called "execution only" services as defined by Article L. 533-13 of the FMFC, the Service Provider may provide the Client with RTO or Order Execution services on behalf of third parties without being required to ensure the appropriate nature of the relevant Service or Financial Instrument when the following three conditions are cumulatively met:

- the Service is provided at the Client's initiative;
- the Service covers non-complex financial instruments as defined by the regulation; and
- all reasonable steps have been taken by the Service Provider to prevent any conflict of interest to which it may be exposed from harming the Client's interests.

The Client is informed that the Service Provider is exempted in these situations from its obligation to ensure the appropriateness of the Financial Instrument or Service provided, meaning that the Client does not benefit in such cases from the corresponding protection of the normally applicable rules of good conduct.

#### **Clause 4: Account opening and operation**

In the event that the Investment Service provided by the Service Provider so requires, the Client will provide proof of the prior opening of Cash/Securities Account(s) either directly with the Service Provider or with any other entity authorised for this purpose and which is governed by the special conditions attached to such Account(s).

Moreover, for over-the-counter futures traded by the Client exclusively for hedging purposes, reference should be made to the specific annex (Annex 1) appended to these Terms and Conditions.

## **Part 1: Terms of receipt-transmission and execution of orders**

For specific services rendered to the Client by the Service Provider and for which the Client has signed Specific Conditions including specific terms governing receipt-transmission and execution of orders, the special provisions of the Specific Conditions shall prevail over the provisions of these Terms and Conditions.

### **Clause 5: Transmission and order management**

#### **5.1. Terms and conditions governing the placing of orders**

5.1.1. The Service Provider authorises the Client to place Orders by telephone, by e-mail or, where this is provided for in a specific agreement and for certain financial instruments, via the Internet, via its secure personal space on the Provider's website or via an electronic system. Specific terms governing the placing of Orders may apply for OTC financial instruments treated as hedges, and reference should be made in such cases to the specific annex (Annex 1) appended to these Terms and Conditions.

The Client is informed that, when it chooses to place an Order by telephone, its conversations, or those of its agent(s), are recorded by the Service Provider. The Client expressly agrees, in the terms of Clause 14 below, that telephone conversations may be recorded. In the event of disagreement on the terms of an Order, the Service Provider's telephone recordings will be used as the sole means of proof to establish the terms of the Order.

Moreover, the Service Provider may request written and immediate confirmation of Orders issued by telephone, and the Client is informed that in the event of a discrepancy between the written confirmation and the original Order issued by telephone, the telephone recording shall prevail between the parties.

5.1.2. To be valid, Orders must be placed either directly by the Client or by a person authorised to act on its behalf and must be identified. As such, and in accordance with the provisions of Clause 2 above, the identity of the persons authorised to issue orders in the name and on behalf of the Client as well as the content of their powers are given to the Service Provider in a separate document. Reference should also be made to Clause 2 for any modification of powers and any consequences potentially resulting from the execution of the Order.

5.1.3. To be valid, Orders placed by the Client and persons acting on its behalf must be identified in accordance with the characteristics set out in Clause 5.1.5 below (the "Identifiers").

Any Order received by the Service Provider and containing the aforementioned Identifiers is deemed to have been issued by the Client.

The Client relieves the Service Provider of any liability in the event of misuse or fraudulent use of the Identifiers by a third party.

5.1.4. The Client acknowledges that it is solely responsible for the transmission of the Order, regardless of the method of transmission used, and its attention is specifically drawn to the fact that, depending on the method of transmission chosen, delays of unforeseeable duration may

arise between the time when the Client issues the Order and the time when the Service Provider receives it.

In any event, the Service Provider cannot be held liable until it has received the Order in the conditions set out below.

5.1.5. The Client specifies all the characteristics necessary for the proper execution of the Order, taking into account the nature of the Order, in particular the designation or characteristics of the relevant Financial Instrument, the nominal amount, if any, whether the Order consists of a purchase or a sale, the quantity of Financial Instruments covered, and if it so desires, the Execution Venue on which it requests that the Order be executed.

The Client also specifies the references of the Account(s) concerned by the Order so as to allow the Service Provider to assign the Order.

5.1.6. All Orders transmitted to the Service Provider by the Client under the above conditions will be accepted by the Service Provider as soon as they are received by it and executed as soon as possible on one or more of the Execution Venues appearing in the execution policy and selected by the Service Provider for the execution of the Order based on the factors governing the selection of the Execution Venue under the execution policy.

As such, the Client expressly recognises the probative value, in its relations with the Service Provider, of:

- the Service Provider's time-stamping system; and
- telephone recordings made by the Service Provider, bearing in mind that the recordings made by the Service Provider shall prevail in the event of a dispute.

## **5.2. Futures trading/Deferred Settlement Service**

Except in the case of a specific agreement in the context of a specific Service, the Service Provider does not offer the Client the Deferred Settlement Service.

## **Clause 6: Execution of Orders by the Service Provider**

### **6.1. The Service Provider's execution and selection policy**

The Service Provider establishes and implements an order execution and selection policy that is given to the Client in a separate document, and which includes, with respect to each Financial Instrument, information on the various execution platforms on which the Service Provider is liable to execute Orders or investment firms to which it transmits the orders for execution (best selection) and the factors influencing the choice of Execution Venue or investment firm.

The execution and selection policy is also available on the Service Provider's website, where the Client can consult it and its subsequent updates.

The Client hereby expressly confirms its approval of the execution and selection policy. The Client is reminded that the order execution policy provides the possibility for the Service Provider to execute Orders outside a regulated market or a multilateral trading system. The

Client confirms that it expressly accepts that its Orders may be executed outside the aforementioned markets.

The Service Provider will take all reasonable steps to obtain, when executing Orders, the best possible result for the Client, taking into account the execution and selection policy that the Client has received and expressly accepted.

The Client is nevertheless informed that whenever it issues a specific instruction, the Service Provider will execute the Order in compliance with such instructions. Consequently, the Service Provider cannot, with regard to the factors covered by this specific instruction, take the measures provided in the execution and selection policy to obtain the best possible result.

## **6.2. Procedures for the execution of Orders by the Service Provider**

For Financial Instruments that are regularly traded concurrently in more than one Execution Venues, the Service Provider will determine the Execution Venue(s) on which the Order will be executed in accordance with the execution policy. When the execution policy allows a choice between several Execution Venues, the choice will be made by the Service Provider.

The Service Provider executing an Order will act in accordance with the provisions of the operating rules of the relevant Execution Venue(s) and, where applicable, in accordance with the provisions of the operating rules of the clearing house(s) through which the Transactions executed in this manner are cleared.

The Client is expressly informed that the Service Provider can in no way be held liable for any modification of the priority of its Order resulting from the rules of the Execution Venue in which it is executed.

For the execution of certain of the Client's Orders, the Service Provider may act directly as counterparty. As such:

- For over-the-counter financial futures: the conditions of such transactions will be governed by a separate special agreement signed with the Client, notably including the master agreement governing transactions in financial futures of the French Banking Federation (FBF) (or the International Swaps and Derivatives Association (ISDA)), the master agreement of the Spanish Banking association (AEB) on transactions in financial instruments (*Contracto Marco para Operaciones Financieras* (CMOF)), the German master agreement on financial futures (*Deutscher Rahmenvertrag* (DRV)) or any other equivalent master agreement.
- For financial guarantee contracts with transfer of ownership:

The Service Provider, in accordance with the provisions of Article 16 point 10 of Directive 2014/65/EU on markets in financial instruments, is only authorised to enter into financial guarantee agreements with transfer of ownership as defined by Directive 2002/47/EC with a Client deemed to be a Professional Client within the meaning of Directive 2014/65/EU.

The conditions of such Transactions are governed by specific agreements signed with the client, such as the French Association of Securities Professionals (AFTI) agreement (or the Global

Master Securities Lending Agreement (GMSLA)), the FBF agreement on repurchase transactions (or the Global Master Repurchase Agreement (GMRA)) or any other equivalent master agreement.

In addition, the Client is informed of the obligations and responsibilities incumbent on the Service Provider as a result of the conclusion of such agreements, as well as the conditions for their return and the risks incurred via a notice on the Service Provider's website.

If the Client places a Limit Order on shares admitted to trading on a regulated market or traded on a trading platform and this Order is not executed immediately under the conditions prevailing in the market, the Service Provider will, except where the Client expressly orders otherwise, take steps to facilitate the fastest possible execution of this Order by making it immediately public in a form readily available to other market participants under the conditions set out in Article 70 of Regulation 2017/565 of 25 April 2016.

The Service Provider will make its best efforts to present the Orders to be processed directly by it upon receipt in the selected Execution Venue. The Service Provider will send Orders that it cannot process directly upon receipt to one of the correspondents listed in its execution and selection policy.

The Service Provider will only be liable in the event of a failure attributable to it resulting in the non-execution or the poor execution of the Orders transmitted, unless this failure results from a case of *force majeure*, unavailability of access or a breakdown of the quotation systems of the Execution Venue or from a failure by the Service Provider.

The Service Provider may refuse to execute any Order that it considers to be non-compliant with conventions and/or its usual practices and/or the regulations in force and/or in the event of insufficient provision in the Account and/or in the event of insufficient or non-existent coverage.

The Client is expressly informed that the transmission of an Order for execution does not imply actual execution. The Order will only be executed if:

- the conditions prevailing on the Execution Venue permit; and
- it meets all applicable legal, regulatory and contractual provisions.

In the event that an Order cannot be transmitted, the Service Provider will inform the Client as soon as possible. An Order that could not be transmitted is deemed to have expired. It is the Client's responsibility to issue a new Order if necessary.

### **6.3. Special case of transmission – electronic execution**

The technical characteristics of Execution Venues are today such that they allow the Service Provider to offer the Client one or more electronic systems for transmission and/or execution of Orders that, among other functions, allow the Client:

- first, to place orders in the order books of various Execution Venues with no human intervention required on the part of the Service Provider;

- second, to benefit from the electronic provision of various items of information about the status of certain Execution Venues.

If the Client wishes to benefit from the functions described in the preceding paragraph, it should contact the Service Provider in order to set out the conditions in a separate document.

#### **6.4. Transaction notice/Confirmation**

When the Service Provider executes an Order on behalf of the Client, it sends the Client, by any means agreed between them, a transaction notice/Confirmation containing the information required by the regulations, and within the applicable timeframe.

The Service Provider reserves the right to use standard codes for which it will provide the Client with a key.

At the Client's request, the Service Provider may send a duplicate of the Confirmations to any other designated person.

The Client is informed that, in view of the time involved in transmitting the Confirmation, it should, as a general rule, be received within 24 hours. The Client is accordingly requested to notify the Service Provider if it has not received the Confirmation within 48 hours of placing the Order. The Service Provider will in such cases send it a duplicate.

Specific terms for Confirmations may apply to Clients wishing to execute orders on over-the-counter financial instruments for hedging purposes. For this purpose, reference should be made to the specific annex (Annex 1) appended to these Terms and Conditions.

#### **Clause 7: Challenge of the terms of execution of an order**

Challenges of the terms of execution of Transactions that the Service Provider executed itself must reach the Service Provider no later than two (2) Business Days after the date of receipt of the transaction notice/Confirmation. Failure to make a challenge within this period will be deemed as agreement with the terms of the Transaction.

Challenges must be issued in writing and backed up by arguments. They are processed by the Service Provider in accordance with the claims processing procedure that is made freely available to the Client on the Service Provider's website in accordance with the regulations.

In the event of a challenge, and without prejudice to its validity, the Service Provider may liquidate the position in question at its sole discretion. If the challenge is unfounded, the Client will bear the costs relating to the liquidation.

The Client will bear the prejudice potentially caused to the Service Provider by its lack of diligence in defending a challenge.

### **Clause 8: Coverage of positions**

The Service Provider monitors commitments made by the Client following the execution of Orders in accordance with prevailing regulations and, where applicable, the rules of the relevant Execution Venue(s).

Any forward transaction performed on an Execution Venue on behalf of the Client must be covered in conditions at least equivalent to those required by the operating rules of the relevant Execution Venue.

The Service Provider may, at any time and at its sole discretion, require the Client to increase coverage by delivery of the Financial Instruments and/or cash it deems necessary. This guarantee must be provided no later than the Business Day following the request by the Service Provider.

Failing this, the Service Provider is entitled to liquidate all or part, as appropriate, of the Client's Position, at the Client's expense, until said Position is covered by the guarantee as required.

In addition, for any specific service for which the Client has signed a special agreement with specific rules governing the coverage of its positions, the said Specific Conditions shall prevail over the provisions of this Clause.

More generally, the Client agrees to immediately cover any debit balance appearing on any account it presently holds or may at a later date hold with the Service Provider for the purposes of the Services provided by the Service Provider to the Client under these Terms and Conditions, on demand by the Service Provider and without any formal notice or formality being required on its part.

Moreover, the Client is reminded that, in application of Article L. 440-7 of the FMFC, all deposits made with the Service Provider by non-professional Clients, whatever their nature, including cash and Financial Instruments, are given as collateral, or, for Professional Clients and Eligible Counterparties, delivered outright to the Service Provider, are financial obligations ("Financial Guarantee") given by right to the provider with the right to reuse them for the purposes of clearing, first, debtor balances recorded in the event of unilateral liquidation of positions and, second, more broadly, any other amount due to the Service Provider in respect of financial obligations. Consequently, cash deposits will be used immediately to cover the Client's commitments in respect of the prevailing regulations.

If such funds are insufficient, the Service Provider may sell or redeem, at the Client's expense, within 10 Business Days after sending a notice to the Client by registered letter with acknowledgement of receipt and without further notice, the Financial Instruments on deposit, in sufficient number to cover the amounts owed by the Client. The Service Provider shall be the sole judge of the choice of Financial Instruments to be sold or redeemed.

The terms for the implementation and offsetting of the Financial Guarantee are enforceable against third parties. Any realisation or offsetting effected in response to civil enforcement proceedings or the exercise of a right of opposition is deemed to have occurred prior to this procedure.

In any event, and in view of the connectedness noted above, the Service Provider may:

- (i) treat all Accounts opened in its books in the name of the Client as a single Account whose overall balance will be payable upon closure; and
- (ii) perform, at any time, any offsetting between the credit and debit balances of the various Accounts.

### **Clause 9: Clearing**

The Client expressly gives the Service Provider the power to clear, in accordance with the provisions of Article L. 431-7 of the FMFC, any of the Client's debts to the Service Provider, whatever their nature, with any amount to which the Client be indebted to the Service Provider under these Terms and Conditions and the prevailing regulations.

### **Clause 10: "Storage operations"**

Clients may benefit from storage service in respect of its Purchase or sale Orders pursuant to the conditions of the Service Provider's internal procedures and approaches the Service Provider directly for this purpose.

### **Clause 11: Investment Decision Support Services**

The Client may receive Investment Decision Support from the Service Provider in accordance with the AMF General Regulation. Should it wish to benefit from such services, the Client should approach the Service Provider directly for this purpose.

As regards the specific issue of Research, the Client, if it so desires, may benefit from the offer of the Service Provider's Research offer under the terms of a specific agreement previously signed to this effect between the Client and the Service Provider.

### **Clause 12: Failure**

In the event of failure on the part of a Custodian in the Settlement and/or delivery process, the Client will bear all the costs accruing to the Service Provider on production of receipts. The Client will also cover any ensuing direct or indirect damages, costs and risks for the Service Provider.

Failure makes the Client liable for default interest to the Service Provider. Default interest is calculated daily until the Settlement or Liquidation provided for in the following paragraph in accordance with the provisions of the Custody account agreement.

Failure not remedied within three Business Days entails *ipso jure* and, without prior notice, the liquidation of the position in question.

In case of Failure attributable to the Service Provider, and on presentation of corresponding evidence, the Service Provider will cover the Client for direct material damage resulting from the Failure, excluding the loss of opportunity and all immaterial damages such as consequences arising from the inability to participate in a general meeting.

**Clause 13: Obligation to report transactions and obligation of transparency**

The Client is informed that the Service Provider, in the provision of Investment Services to the Client, is required under the provisions of Regulation 600/2014 on financial markets to report Transactions made with the Client to the AMF or any other authority required by the regulations, or to make the Transactions public within the framework of its obligations of transparency through a publication in a journal of legal notices.

## **Part 2: Investment Advice**

The Service Provider may provide the Client with Investment Advisory Services.

### **Clause 14: Assessing the appropriateness of Investment Advice**

When the Service Provider provides Investment Advisory Services, it is required to assess, in the context of the applicable regulations – in addition to the items listed in Clause 3.2 (Assessment of appropriateness) – whether:

- the Service provided is consistent with the Client's investment objectives, including its risk tolerance; and whether
- the Client is financially able to bear the risk arising from its investment objectives.

The Client is duly informed that the Service Provider will refrain from recommending Financial Instruments should it fail to disclose all necessary information.

When the Service Provider provides Investment Advice to a non-professional Client within the meaning of Directive 2014/65/EU, the Client must be issued with an appropriateness report. This report summarises the advice given and explains why the recommendation is appropriate for non-professional Clients, setting out how it meets the Client's objectives and specific situation regarding the investment period, the Client's knowledge and experience and the Client's attitude to risk and loss capacity.

When the Service Provider provides Investment Advisory services to a professional Client or Eligible Counterparty within the meaning of Directive 2014/65/EU, the Service Provider may assume that the client has the necessary knowledge and experience and that it is financially able to bear any risk resulting from its investment objectives.

Moreover, when the Service Provider provides Investment Advisory services on a continuous basis, it sends the Client an annual assessment of the appropriateness of the Financial Instruments it advised in view of its investment profile.

The Client is informed that the Service Provider performs Investment Advisory Services non-independently. When providing Investment Advisory Services, the Service Provider chooses to recommend certain Financial Instruments, which do not necessarily and systematically represent the full range of Financial Instruments available in the market.

The Financial Instruments recommended can be issued or provided by entities with which the Service Provider has close legal and/or economic ties, including but not limited to entities belonging to the Service Provider.

For the provision of Investment Advisory Services, and in accordance with the conditions set out in Article L. 533-12-4 of the FMFC, the Service Provider is liable to pay (or receive) compensation, fees or commissions or non-monetary benefits to (or from) entities related to the Group or third parties.

Clients wishing to benefit from this service should approach the Service Provider directly.

### **Part 3: Miscellaneous**

#### **Clause 15: The Service Provider's obligations**

In compliance with the prevailing laws and regulations, the Service Provider acts in accordance with the standard practices of the profession.

The Service Provider specifically reserves the right to use third parties for the performance of certain obligations.

The Service Provider is subject, in the execution of this contract, to an obligation of means. The Service Provider ensures for this purpose that the means used offer a guarantee of reliability, that they comply with the requirements imposed by the competent authorities and that they meet the technical standards for the activities concerned.

Notwithstanding limitations or exclusions of liability provided in other clauses of these Terms and Conditions, the Service Provider will in no way responsible for:

- Losses or damages resulting from actions, omissions or delays in execution or transmission attributable to the Client, or consecutive to error or negligence or to improper conduct on the part of its directors, officers, employees or agents;
- Losses or damages resulting from poor transmission, absence of transmission or delayed transmission of messages or instructions by the Client, due to faults or failures in the Client's own technical means of transmission, as well as in cases of *force majeure* as defined by the French courts, wide-scale blocking of means of communications, telecommunications or transport, or other comparable events;
- Losses or damages resulting from unavailability of access or operation of centralised quotation systems (automated or not);
- Losses or damages arising from the impact of any failure, interruption, inaccuracy, slowing, delay in execution or non-execution of any or all of its obligations hereunder as a result of any act, event or circumstance causing the occurrence of a case of *force majeure* as defined by the French courts, including but not limited to strikes, failure of computer systems or means of communication and malfunction of clearing systems;
- Losses or damages resulting from the application of laws, decrees, regulations and decisions – including exchange regulations – enacted or taken by the French authorities or those of the country where assets are recognised or awaiting recognition in the Client's accounts, or by any of its government authorities, political subdivisions, public or other institutions, including its central bank;
- Any other faults deemed substantial committed by the Service Provider.

## **Clause 16: Declarations and obligations of the Client**

The Client declares that it is duly constituted in accordance with the applicable law to which it is subject, that it has full legal capacity to accept these Terms and Conditions and that its agent designated above is duly authorised for this purpose.

The Client undertakes to observe the French and foreign regulations applying to it or applicable to these Terms and Conditions.

Where appropriate, it undertakes only to initiate transactions compliant with its articles of association and notably its corporate purpose.

The Client undertakes to pay the Service Provider the remuneration due to it in respect of Services rendered under the conditions provided by the Service Provider.

In addition to disclosure commitments made elsewhere in respect of the Terms and Conditions, the Client undertakes immediately to inform the Service Provider, as applicable, of:

- any change in its legal form;
- any change in its main shareholders, its officers or its legal agents, and specifically to provide an updated extract from the Trade and Companies Register for this purpose;
- any event altering its ability to act;
- any investigation or decision of its supervisory authorities potentially resulting in the suspension or withdrawal of all or part of its accreditation or bringing it before disciplinary, professional or administrative bodies;
- any prosecution or sentence imposed by a court (judicial, administrative or arbitration) or disciplinary, professional or administrative body on it, its managers or its employees for activities performed within the framework of these Terms and Conditions or any other contract, agreement or convention with consequences on the application of these Terms and Conditions;
- any event materially affecting its financial capacity.

The Client undertakes to provide the Service Provider with any items demonstrating its financial condition, including its financial statements.

The Client agrees not to challenge any transaction carried out at the initiative of one of its legal agents when the termination of their functions was not duly notified to the Service Provider.

The Client undertakes to indemnify the Service Provider upon first request for all expenses, costs and damages that it may directly or indirectly bear, and to assist it in the event of claims, lawsuits or other events involving its liability made by a third party resulting from the execution of these Terms and Conditions.

## **Clause 17: Professional secrecy – Obligation of confidentiality**

In accordance with the prevailing laws, the Service Provider is bound by professional secrecy provisions.

However, professional secrecy can be lifted in accordance with the law, notably at the request of supervisory, tax or customs authorities, or following a judicial decision enforceable in criminal proceedings.

Moreover, notwithstanding the obligation of professional secrecy, the Client authorises the Service Provider to disclose any information concerning it to any person whose involvement is necessary for the execution of orders, or to its subcontractors, as well as to its auditors, brokers and insurers.

The Client is required to keep all information received from the Service Provider under these Terms and Conditions confidential.

Lastly, the Parties recognise that their staff are subject to confidentiality requirements on all transactions processed, and that they undertake as such not to use or exploit, outside the needs arising from these Terms and Conditions, the information of which they may have knowledge.

## **Clause 18: Suspicious transactions**

### **18.1. Fight against money laundering and terrorist financing**

The Service Provider may notably, pursuant to the legislation and regulations governing the fight against money laundering and terrorist financing, require the Client to provide any information it deems necessary in respect of transactions that appear unusual, chiefly because of their terms, their amount or their exceptional nature in relation to those processed previously, or for any other reason.

The Client undertakes to provide the Service Provider with any practical information on the context of its transactions as necessary.

### **18.2. Fight against market abuse**

In addition, the Service Provider may be required to declare suspicious transactions to the competent market authority for any transaction where it deems that practices constituting market abuse are evident, pursuant to the regulations. In such cases, the Client will not be informed of the declaration made by the Service Provider.

## **Clause 19: Management of conflicts of interest**

The Service Provider shall establish, implement and maintain, in accordance with the conditions provided for by the prevailing regulations, an effective policy for managing conflicts of interest. The policy shall be published on the AMF website.

Pursuant to regulations, the Service Provider shall evaluate and review the said policy for the management of conflicts of interest at least once per year, and shall take all appropriate steps to remedy any shortcomings.

#### **Clause 20: Recording of telephone and electronic communications**

For the purposes of proper implementation of the Terms and Conditions, the Client expressly authorises the recording of all telephone and email conversations with the Service Provider.

The recording of telephone conversations is not necessarily preceded by a warning sound.

The Client also authorises the Service Provider to record on a durable medium any information relating to their one-on-one conversations.

A copy of such records will be available on demand for five years and, if the AMF so requests, for seven years.

#### **Clause 21: Means of evidence**

In addition to the information recorded on a durable medium, all forms of recording resulting from the means of communication used between the Client and the Service Provider, including telephone recordings and records of electronic messages written and sent by the Service Provider can be admitted as evidence, with probative value, especially in the event of disputes.

The time stamp produced by the Service Provider has probative value, and may be used against the Client in all circumstances.

The Client acknowledges that any Transaction performed on an electronic system will be deemed to express the Client's consent to this Transaction; such consent has the same value as written consent.

#### **Clause 22: Remuneration**

The remuneration payable by the Client for the Investment Services rendered by the Service Provider shall be communicated to the Client in a separate document.

In providing Investment Services to the Client, the Service Provider may be required to pay or receive fees or commissions, or to provide or receive non-cash benefits, in accordance with the conditions cited in Article L.533-12-4 the FMFC and Articles 314-76-1 to 314-76-4 of the AMF GR.

Pursuant to Article 50 of Regulation 2017/565, the Service Provider provides the Client with a specific document fully disclosing the costs and fees related to the Investment Services/Product(s) provided to the Client.

The Client, classified as a Professional Client or Eligible Counterparty within the meaning of Directive 2014/65/EU, agrees to the limited application of the Service Provider's obligations relating to information on costs and fees whenever the conditions of Article 50 of the aforementioned regulation are met.

Moreover, the Client agrees to pay the Service Provider, in addition to the price related to the provision of services, all fees, charges, related expenses imposed by the Execution Venue or clearing house, and all taxes, duties, charges and withholding taxes related to the provision of the Services and/or the transaction operation performed by the Client.

### **Clause 23: Data protection**

The personal data provided by the Client are processed in compliance with the provisions of French Law No. 78-17 of 6 January 1978 on data protection, Directive 95/46/EC of 24 October 1995 on the protection of personal data and, from 28 May 2018, Regulation 2016/679 of the European Parliament and the Council of 27 April 2016.

They are processed by the Service Provider, its affiliates or their Service Providers and subcontractors for the purposes of the provision and management of the services rendered (including the execution of physical and technical tasks required for this purpose), the assessment, detection and management of risks (including obligations relating to the detection of market abuse and the fight against money laundering and the financing of terrorism).

The Client is informed that the personal data it discloses to the Service Provider may be transferred, for the reasons described above, to its affiliated entities, and to the service providers or subcontractors of the Service Provider or its affiliated entities located in a country not belonging to the European Union, in compliance with the provisions of the aforementioned Act.

Personal data are subject to rights of access, modification and objection in accordance with the said Law. These rights may be exercised at the Service Provider's registered office.

The Client and the authorised persons may also issue specific instructions concerning the use of their data after their death.

The personal data of the Client and the authorised persons are kept for the duration of application of the Terms and Conditions and for the statutory limitation and/or preservation and archiving period imposed by the regulations.

### **Clause 24: Communications/Notifications**

The Client is informed that it may only communicate with the Service Provider in French or in English, precluding the use of any other language, unless otherwise agreed between the Client and the Service Provider.

Any email messages and/or documents addressed to the Service Provider in a language other than those cited above will not be admissible if they are not accompanied by a certified translation into French or English. As an exception to the above, any document relating to legacies may only be addressed to the Service Provider in French or accompanied by a certified translation into French.

For its part, the Service Provider will send the Client the transaction notices and other documents mentioned in Clause 6.4 of these Terms and Conditions in French or English.

Any information to be provided to the Client by the Service Provider pursuant to these Terms and Conditions or the prevailing regulations may be made by email or published on the Service Provider's website.

By providing its email address to the Service Provider, the Client warrants having regular access to the internet and expressly agrees to receive information from the Service Provider by means of electronic communications.

#### **Clause 25: Rules governing the Terms and Conditions**

In the event of inconsistencies, the provisions contained in the annexes supersede those contained in this document. Moreover, in the event of a contradiction between the provisions of the Terms and Conditions and those of a special agreement, the provisions of the special agreement shall prevail.

The provisions of the Terms and Conditions are severable. If, for any reason, any provision of the Terms and Conditions is or becomes illegal, invalid, unenforceable or void against any party, neither the legality nor the validity or execution, nor the implementation of the remaining provisions of the Terms and Conditions shall in any way be affected or compromised. In such cases, the client and the Service Provider will seek in good faith an agreement on one or more substitution provisions for the same purpose as the affected provision(s).

The non-exercise by either Party of any right under the Terms and Conditions will not constitute a waiver by it of the said right.

#### **Clause 26: Duration and termination of the Terms and Conditions**

These Terms and Conditions are concluded for an indefinite period, and are deemed to have been accepted by the Client once the Client has issued the Service Provider with an Order for the conclusion of a Transaction with the Service Provider or once the Service Provider has rendered a Service to the Client.

They may be terminated at any time by the Client or the Service Provider by registered letter with acknowledgement of receipt with prior notice of thirty (30) days.

Transactions in process after the termination becomes effective will continue to be governed by the provisions of these Terms and Conditions.

In case of failure by the Client or the Service Provider to execute its commitments, the Agreement may be terminated *ispo jure*, without notice, by the other Party, which will notify it of the termination by registered letter with acknowledgement of receipt. This termination is effective upon receipt of the letter by the defaulting Party.

For the purposes of this Article, the receipt of a registered letter with acknowledgement of receipt by the Party to which it is addressed is deemed to be the date of first presentation of the letter.

Without prejudice to the above, and as a general rule, the Service Provider may, at its sole discretion and without prior notice, decide to terminate these Terms and Conditions in any of the following cases:

- dissolution of the Client provided by law;
- placement of the Client in receivership or liquidation or other similar proceedings;
- realisation of any event manifesting the Client's insolvency such as, for example, the seizure of the Client's Account(s) opened with the Service Provider, when the funds are not released within eight (8) days of the seizure.

The termination is effective on the date of the event leading to the termination by the Service Provider.

The termination may lead to the closure of all accounts governed by these Terms and Conditions in the conditions of common law unless the accounts give rise to the immediate establishment of a new agreement.

Closure under these conditions makes it impossible to make payments on the Account(s) other than to ensure, at the choice of the Client, the Settlement, transfer to another Service Provider or Liquidation of Positions recorded on the Account(s).

However, if the Net Position shows a negative balance, the Settlement, transfer to another Service Provider or Liquidation is subject to the prior approval of the Service Provider.

It is stipulated that the Service Provider will retain a provision specifically assigned to cover all transactions not yet unwound, which will be governed by these Terms and Conditions until fully unwound. The Client will pay all costs resulting from the closure of the Account.

#### **Clause 27: Applicable law**

The Terms and Conditions are subject to and shall be interpreted in accordance with French law.

#### **Clause 28: Jurisdiction**

In the event of difficulties relating to the validity, interpretation or execution of the Terms and Conditions, any dispute will be subject exclusively to the jurisdiction of courts subject to the Court of Appeal of Paris.

## **Annex 1: Transactions involving over-the-counter financial contracts deemed to have been concluded as hedges**

The Client may trade with the Service Provider, which will in such cases act as counterparty, in OTC forward financial instruments on such underlyings as interest rates, equities, foreign exchange and commodities, solely for hedging purposes.

As such, when wishing to enter into such transactions with the Service Provider, the Client must stipulate that such transactions are carried out exclusively for the purpose of hedging an underlying asset to which it is exposed. The Client is solely responsible for the assessment of this characteristic, as per its statements.

The terms of these transactions will be governed by a marketplace master agreement between the Client and the Service Provider. In the event of contradiction between the terms of this Annex and other provisions of this Agreement and the terms of the master agreement, the terms of the master agreement shall prevail.

Before processing any transaction on financial futures, the Client must obtain the prior consent of the commitments committee via its account manager (authorisation of limits).

If the limits set by the commitments committee are exceeded, the Service Provider may decide not to execute the Order.

Specific limits may apply to Professional Clients with direct access to electronic execution platforms.

### **Specific information for currency futures**

Before completing a transaction, the Client must ensure that it holds an account in the currency or currencies in which it intends to trade with the Service Provider.

Such accounts can be held in the books of the Service Provider or any other establishment authorised to manage accounts for this purpose. Furthermore, when foreign currency account(s) are not held in the Service Provider's books and when there is doubt as to the identification of the establishment in which the account(s) are held, the Service Provider may, at its sole discretion, refuse to process the transaction. Similarly, the Service Provider may refuse to execute the order from a Client on a given currency in the following cases (not exhaustive):

- the Service Provider is not able to open an account to store the currency;
- the currency on which the Client wishes to trade is subject to embargo;
- the currency in question is subject to foreign exchange controls.

The client is advised to contact its account manager for a list of the currencies on which the Service Provider can trade.

### **Confirmations**

Confirmations of the transaction setting out the features of the Order executed are transmitted to the Client within the timeframe set by the regulations, preferably by e-mail or directly via an electronic system if the Execution Venue permits (execution platforms for Professional Clients with direct access). Otherwise, they may be sent by postal mail.

### **Terms of proof as to the execution of an Order**

In the event of disagreement on the terms of an Order processed vocally, the Parties will refer exclusively to the Service Provider's telephone recordings as a means of proof to establish the terms of the Order.

As such, the transmission of an email by the Client to the Service Provider to confirm an order placed by telephone cannot be used as evidence of the terms of the order executed in the event of a dispute.

Similarly, when the Client sends an Order for execution to the Service Provider by email and has not received a response, it will be deemed not executed.

## Annex 2

### **SUMMARY INFORMATION ON FINANCIAL INSTRUMENTS AND THEIR RISKS**

This document presents information setting out the main characteristics of Financial Instruments and the risks attached to them in summary form. It constitutes neither an invitation nor an offer to acquire, purchase or sell these types of instruments. Before making a Transaction, Clients should ensure that they are able to appreciate the nature of the instrument and the risks involved in order to make decisions knowingly. The Service Provider may provide any further information required.

#### **SHARES AND FINANCIAL INSTRUMENTS GIVING INDIRECT ACCESS TO THE ISSUER'S CAPITAL**

##### **SHARES**

Shares are titles representing ownership of part of the capital of the company that issued them. Except in special cases, a share can generate income (dividends) and gives the owner the right to vote at general meetings.

Shares may or may not be traded on a stock market. It should be noted that shares not admitted to trading on a regulated market do not offer the same level of liquidity, security and disclosures as those listed on regulated markets. For these reasons, retail investors should invest with extreme caution.

##### **EQUITY WARRANTS**

Warrants are negotiable securities that entitle their holder to subscribe for new shares of the issuer until a specified date (maturity) at a price specified in advance (exercise price). Once matured, their value is zero.

##### **SHARES WITH EQUITY WARRANTS (*ACTIONS A BONS DE SOUSCRIPTIONS D' ACTIONS* – ABSA)**

These are shares to which are attached one or more warrants allowing the purchase of new shares, at a price agreed in advance until a specific date.

## PREFERENTIAL SUBSCRIPTION RIGHTS

Preferential subscription rights are tradable rights attached to existing shares of an issuer allowing the holder to subscribe for new shares of the company, notably in conjunction with a cash capital increase.

## STOCK OPTIONS

Stock options are options issued by an issuer on its own shares and reserved for employees of the company. They allow employees to purchase securities of their company at a predetermined price (exercise price) at a given maturity.

Risks involved in investing in shares and related securities	
<b>Issuer risk</b>	Shares represent a fraction of the capital of the issuing company. If the company is liquidated, shares may not be redeemed and may become worthless.
<b>Liquidity risk</b>	The liquidity of shares of listed companies is guaranteed by the existence of an organised market, namely the stock market. The degree of liquidity in the market for its shares is directly correlated to the size of the company's market capitalisation.
<b>Currency risk</b>	Currency risk may arise on the sale of shares traded in a currency other than the euro.
<b>Interest rate risk</b>	Rising interest rates in the markets generally have a negative effect on share prices.
<b>Price volatility risk</b>	Volatility risk depends on several factors such as the quality of the issuing company, trends within its sector and broader stock-market trends. As opposed to "stable shares", speculative stocks carry substantial volatility risk.
<b>Risk of absence of dividend</b>	The issuing company may, for various reasons, decide not to pay a dividend in respect of certain years.
<b>Risk of capital loss</b>	There is considerable risk of making a capital loss by selling a stock at a price below the purchase price, especially when the sale is made shortly after the initial purchase.
<b>Leverage risk</b>	Leverage means that rights and equity warrants are impacted in greater proportion by changes in the value of their underlying, exposing the investor to greater gains or losses.
<b>Miscellaneous risks</b>	Market risk is inherent in the very existence of the stock market. It is subject to many factors, including the uncertainty of changes in interest rates, economic conditions, the political climate and inflation.

## BONDS AND OTHER DEBT SECURITIES WITH DERIVATIVES ATTACHED

### BONDS

A bond is a negotiable debt security representing a fraction of a loan raised by a company, a government or a financial institution.

A bond investor becomes the lender, and as such the issuer's creditor. In return for the loan, it usually receives interest paid periodically (also known as the coupon).

The capital (nominal value) is normally repaid at maturity.

### BONDS WITH EQUITY WARRANTS (*OBLIGATIONS A BONS DE SOUSCRIPTION D'ACTIONS – OBSA*)

Bonds with equity warrants are classic bonds with equity warrants attached. They entitle the holder to subscribe for new shares in the company issuing the bonds with equity warrants in accordance with the price, terms and timeframe set out in the issue contract of the bonds with equity warrants.

### CONVERTIBLE BONDS

Convertible bonds offer the same characteristics as conventional bonds as regards the nominal interest rate (fixed in most cases), term and redemption price, but they also give the holder the option of converting their bonds at any time into new shares of the issuing company in accordance with conditions set in advance in the issue contract.

### BONDS REDEEMABLE IN SHARES

Unlike conventional bonds, this bond category is redeemed not in cash but in the shares of the issuer, at a rate set at the time of issue.

The price of such bonds tend to vary not only depending on changes in interest rates, but also in line with the price of the underlying, namely the issuer's stock. Upon conversion, these financial instruments are also subject to risks similar to those faced by subscription rights and equity warrants.

Risks involved in investing in bonds and other debt securities	
<b>Issuer risk</b>	<p>The risk of insolvency depends on the issuer's quality, which is the subject of an indicative rating issued by specialised agencies (Standard &amp; Poor's, Moody's, etc.).</p> <p>The risk of bankruptcy is inversely proportional to the rating.</p>
<b>Liquidity risk</b>	<p>The liquidity of a bond depends on the existence and size of a secondary market for the bond in question.</p> <p>Liquidity risk is inversely proportional to trading volumes on the bond in question.</p> <p>Liquidity risk is measured primarily by comparing the bid and ask prices.</p> <p>Liquidity risk increases as the gap between the two widens.</p>

<b>Currency risk</b>	Currency risk may arise when the currency in which the bond is denominated varies relative to the euro.
<b>Interest rate risk</b>	The price of a bond moves inversely to market interest rates, which are influenced to a large extent by central bank policy. Liquidity risk is greater when the bond has a long maturity.
<b>Price volatility risk</b>	Volatility risk primarily concerns convertible bonds.
<b>Prepayment risk</b>	Some bonds may be subject to an option by which the issuer may redeem them early, at a specified price and on a specified date.

### EMTN (Euro Medium Term Notes)

EMTNs are debt securities similar to bonds. They are, in principle, issued at fixed or floating rates and provide a predetermined redemption amount (EMTN known as “Plain Vanilla”). Nevertheless, some EMTNs can also be combined to one or several indexation or financial derivatives backed by one or more underlying assets (share(s), reference interest rates, stock indices, credit derivatives, etc.), with or without a capital guarantee on the maturity date (EMTN known as “Structured”). Reference is made to the documentation of the product to be aware of the risks associated with such an investment.

The risks associated with an investment in “plain vanilla” EMTNs are the same as those detailed in the previous paragraph.

<b>Risks involved in investing in Structured EMTNs</b>	
<b>Issuer risk</b>	The risk of insolvency depends on the issuer’s quality, which is the subject of an indicative rating issued by specialised agencies (Standard & Poor’s, Moody’s, etc.). The risk of bankruptcy is inversely proportional to the rating.
<b>Risk relating to the underlying</b>	In the absence of a capital guarantee at maturity, the amount repaid depends on the price of the underlying asset on which the EMTN is backed.
<b>Liquidity risk</b>	There is no guarantee that a secondary market on which such products can be readily traded will develop, which can have a substantial adverse effect on the price at which the product may be sold.
<b>Currency risk</b>	Currency risk may arise depending on the underlying currency and the predefined performance mechanism.
<b>Market risk</b>	An EMTN’s market price during its lifetime varies not only in line with change in the value of the underlying asset but also in response to other parameters such as interest rate volatility.

<b>Prepayment risk</b>	Some EMTNs may be subject to an option by which the issuer may redeem them early, at a specified price and on a specified date.
<b>Risk of capital loss</b>	Resale of EMTNs prior to maturity exposes the investor to a potential loss on the investment. Similarly, some EMTNs may present a risk of capital loss at the product's maturity. Investors are advised to refer to the specific issue documents.

## FORWARD FINANCIAL INSTRUMENTS

### OPTIONS

An option is a right that gives the buyer the possibility but not the obligation to buy (call) or sell (put) a specified amount of an underlying asset at a price set in advance (exercise price) over a given period, on a specific date (European option) or at any time (American option). The premium is the price paid to the seller by the buyer of the option. Sellers of options, subject to the decision of the buyers, must fulfil the obligations set out in the option contract.

The buyer and seller of a tradable option can resell or repurchase the option independently of each other prior to maturity (closing of the position). If kept without being exercised, the option has no value at maturity.

There are four basic strategies in the options market:

- Purchase of a call option: the buyer of a call option expects the price of the underlying to rise. He or she makes a gain when prices rise above the exercise price, compounded by the amount of the premium. In such cases, the gains are potentially unlimited. By contrast, if the underlying loses value, the losses are capped at the amount of the premium.
- Sale of a call option: the seller of a call option expects the price of the underlying to fall or to stagnate. He or she makes a gain when prices remain below the exercise price, compounded by the premium. The gain is capped at the amount of the premium paid by the buyer; by contrast, the investor is exposed to the risk of unlimited losses if the underlying gains value.
- Purchase of a put option: the buyer of a put option expects the price of the underlying to fall. The gain increases in proportion to the decline in the price of the underlying below the exercise price less the premium. By contrast, if the underlying gains value, the losses are capped at the amount of the premium.
- Sale of a put option: the seller of a put option expects the price of the underlying to rise. He or she makes a gain when prices move above the exercise price, less the premium. The gain is capped at the amount of the premium paid by the buyer; by contrast, if the underlying loses value, the investor is exposed to the risk of losses proportional to the decline.

Risks associated with the subscription of options	
<b>Issuer risk</b>	The risk of default of the issuer is low when it is subject to control.
<b>Currency risk</b>	Currency risk is non-existent when the option is denominated in euros. By contrast, it can be significant for options denominated in volatile currencies.
<b>Interest rate risk</b>	Interest rates influence bond yields and the stock market, and as such option prices.
<b>Market risk</b>	An option may lose its full value if the conditions are less favourable at the time of exercise than at the issue date. For the buyer of the option, the loss will be capped at the price of the premium paid. By contrast, the seller of the option faces potentially unlimited losses.
<b>Leverage risk</b>	Leverage means that an option is impacted in greater proportion by changes in the value of its underlying, exposing the investor to greater gains or losses.

## FUTURES/FORWARD CONTRACTS

A futures contract allows two parties to undertake, one to buy, the other to sell a specified quantity of financial products at a price set at the time of the conclusion of the contract, with delivery in consideration for the concurrent settlement of related capital on a predetermined future date. Any forward transaction is thus characterised by the fact that a period of time elapses between the conclusion and execution of the contract. At the maturity date, a forward contract can be unwound, either by physical delivery of the underlying or by a cash settlement equal to the difference between the price at which the contract was concluded and the price at which the transaction is unwound.

Contracts with firm terms focus on financial instruments, indices, baskets of securities, currencies, interest rates, yields, as well as raw materials and goods.

Risks associated with the subscription of firm futures	
<b>Counterparty risk</b>	Counterparty risk relates solely to futures contracts that are not traded on a market with a clearing house.
<b>Currency risk</b>	Currency risk is non-existent for futures contracts denominated in euros. By contrast, it can be higher when denominated in volatile currencies.
<b>Volatility risk</b>	The volatility of a futures contract depends on the volatility of its underlyings.

<b>Risk of capital loss</b>	The losses arising on a futures contract are potentially unlimited in the event of short selling.
<b>Leverage risk</b>	Leverage means that a futures contract is impacted in greater proportion by changes in the price of its underlying, thereby exposing the investor to greater gains or losses.

## SWAPS

A swap is a contract in which the parties agree to exchange, at a given date, interest flows or currencies in accordance with their anticipation of the trend on the underlying. An interest rate swap, for instance, allows a floating interest rate to be exchanged for a fixed rate in an effort to secure a financial position. Performance swaps involve the exchange of the uncertain result of a transaction against a reference money market rate of remuneration in order to control the said result.

Risks associated with the subscription of a swap	
<b>Counterparty risk</b>	Each party to a swap contract is exposed to default by the other party.
<b>Liquidity risk</b>	Swaps are traded over the counter, and generally have low liquidity. A non-standard swap contract may only be liquidated by performing the reverse transaction with the same counterparty.
<b>Currency risk</b>	Currency risk can be significant when the flows specified in the contract are not denominated in the investor's national currency. This is the case for currency swaps.
<b>Interest rate risk</b>	Interest rate risk is significant in interest rate swaps.
<b>Market risk</b>	Investors in swap contracts are exposed to the market risk attached to the underlying assets.

## WARRANTS

A warrant is a financial instrument that entitles the holder to trade an underlying asset at a fixed price (exercise price) during a specified period.

They can be either:

- call warrants, which give the right to buy the underlying asset (anticipation of a rise); or
- put warrants, which give the right to sell the underlying asset (anticipation of a fall).

The underlying of a warrant may be a stock, an index, a basket of stocks, a foreign exchange rate or an interest rate.

Warrants are generally issued by financial institutions, which also provide market liquidity, allowing them to be bought and sold at any time up to six days before their maturity. The price at which the warrant trades on the stock market is known as the premium. Warrants are traded by bundle (100, 1,000, etc.) and have a “parity”, i.e. the number of warrants required to exercise the right on an underlying.

When an investor purchases a warrant, two options are available:

- Exercise the warrant (call warrant) or sell the underlying (put warrant). In practice, reimbursement in cash (the issuer directly pays the difference between the price at maturity and the exercise price) is preferred over physical delivery of securities;
- Resell the warrant on the market.

Risks involved in investing in warrants	
<b>Issuer risk</b>	The risk of default by the issuer is low when it is subject to control and when the warrants are covered by the constitution of provisions of the underlying assets to be delivered by the issuer in case of exercise of the warrant.
<b>Liquidity risk</b>	Liquidity risk is proportionate to trading volume on the warrant.
<b>Currency risk</b>	Currency risk is non-existent when the warrant gives the right to subscribe new shares or bonds denominated in euros.
<b>Interest rate risk</b>	An increase in interest rates tends to have a negative impact on the share price, and as such on the price of a warrant.
<b>Risk of capital loss</b>	A warrant may lose its full value if the conditions are less favourable at the time of exercise than at the issue date. This is the case for instance when the purchase price of a share is below its market price.
<b>Leverage risk</b>	Leverage means that a warrant is impacted in greater proportion by changes in the value of its underlying, exposing the investor to greater gains or losses.

**UNDERTAKINGS FOR COLLECTIVE INVESTMENT (UCI)**

Undertakings for collective investment are investment funds managed by professionals (management companies).

There are two main categories of UCIs: UCITS (Undertakings for Collective Investment in Transferable Securities) and AIF (Alternative Investment Funds).

Legally, there are two types of UCITS: variable capital investment companies, which are limited companies with variable capital that issue shares in line with subscription applications (meaning that the investor is a shareholder and can take part in general meetings), and mutual funds, which entail shared ownership of securities, and which issue units (the investor is co-owner of the securities held by the fund and cannot participate in the management of the funds).

Investors should refer to the KIID (Key Investor Information Document)/Prospectus specific to each fund to determine the investment policy and the specific risks.

**OTHER FINANCIAL INSTRUMENTS**

**TRACKERS**

Also known as ETFs (exchange-traded funds), trackers generally replicate the performance of an underlying, which may be an index or a basket of stocks.

<b>Risks involved in investing in ETFs/trackers</b>	
<b>Issuer risk</b>	The risk of default of the issuer of a tracker is low when it is subject to control.
<b>Liquidity risk</b>	A little-known tracker is less liquid than a tracker replicating the price of a broader index.
<b>Currency risk</b>	Currency risk may arise depending on the underlying currency and the predefined performance mechanism.
<b>Price volatility risk</b>	The price of a tracker moves in line with those of the shares that comprise its benchmark.
<b>Risk of absence of dividend</b>	Depending on the tracker’s management style, it can pass on dividends paid by the companies comprising the benchmark to investors, or reinvest them in the fund.
<b>Risk of capital loss</b>	Potential capital losses are similar to a direct investment in the various shares that comprise the tracker’s benchmark.
<b>Market risk</b>	Trackers are subject to market fluctuations.
<b>Leverage risk</b>	Leverage means that a tracker is impacted in greater proportion by changes in the value of its underlying, exposing the investor to greater gains or losses.

## INDEXED CERTIFICATES OF DEPOSIT

Issued by a financial institution, an indexed certificate of deposit is a security that entitles the holder to benefit from change in the value of the underlying on which it is backed for a specified period. At maturity, indexed certificates of deposit are redeemed on the basis of the calculation methods set by contract at the time of issue and subject to the performance of the underlying.

The underlying of an indexed certificate of deposit may be a stock, an index, a basket of stocks, a commodity or a currency.

During their lifetime, indexed certificates of deposit can be traded at any time on the stock market, where issuers also undertake to ensure regular market liquidity. Like warrants, indexed certificates of deposit have a “parity”, i.e. the number of certificates required to exercise the right on an underlying.

When an investor purchases an indexed certificate of deposit, two options are available:

- Hold the certificate to maturity;
- Resell the certificate in the market.

Risks involved in investing in indexed certificates of deposit	
<b>Issuer risk</b>	The risk is low when the issuer is strong.
<b>Liquidity risk</b>	Liquidity risk will be greater or lesser depending on trading volumes on the certificate.
<b>Currency risk</b>	Currency risk is non-existent for certificates of deposit denominated in euros. By contrast, there is a risk for certificates backed on a foreign currency.
<b>Interest rate risk</b>	Change in interest rates has a direct impact on the price of the underlying, and as such an indirect impact on that of the certificate of deposit.
<b>Price volatility risk</b>	The price of a certificate of deposit can be very volatile in that it amplifies market trends.
<b>Risk of capital loss</b>	Depending on the repayment clauses to which the certificate of deposit is subject, the risk of capital loss may be the same as the underlying or represent the entire investment.
<b>Leverage risk</b>	Leverage means that a certificate of deposit is impacted in greater proportion by changes in the value of its underlying, exposing the investor to greater gains or losses.