CHARACTERISTICS OF FINANCIAL INSTRUMENTS AND A DESCRIPTION OF RISK

I. INTRODUCTION

The purpose of this document is to provide customers with the essence of financial instruments offered on unregulated market (OTC) and notification of the risks associated with investing in instruments offered by TMS Brokers Europe Ltd (hereinafter TMS Europe) through transactional systems. Below mentioned are only the most important aspects of the risks of investing in the OTC instruments.

This document does not constitute a form of investment advice, nor has the nature of investment advice.

The transactional systems TMS Trader, which are run by TMS Europe web platforms, allow for the conclusion of transactions in different financial instruments having a diversified risk scale. In particular, it is possible to conclude transactions on contracts (rolling SPOT, CFDs, futures, FX forwards), and option instruments which, due to the complex nature, should be used by customers with relevant expertise and experience or who accept the consequences of entering into such transactions. The detailed scope of financial instruments available in the selected transactional system is specified in the relevant specification for this system.

Before making a decision to carry out a transaction in financial instruments customer is obliged to examine whether to make such transactions is relevant to its investment objectives, taking into account the experience, knowledge and appetite for risks. If a customer has any doubt as to the essence of the functioning and economic substance of financial instruments offered by TMS Europe through transactional systems, he is obliged to return to TMS Europe asking for an explanation.

II. BASIC CONCEPTS

II.1. MARGIN

Margin is the amount of the fixed percentage of the contract's value that an investor must deposit on the cash account to be able to buy or sell i.e. open position. The amount of margin depends on the sum of the net open position of the Client valued at the current, changing market prices and is designed to cover possible losses arising from the valuation of investments.

The result of investing in the currency market is accounted for by exchange rate differences, which makes it possible to acquire and dispose of assets of much greater value than the amount of funds in the cash account of the investor. The relatively low value of the required margin stems from the fact that currency fluctuations usually do not exceed 1-2% per day. The investor has no obligation to hold the cash account cash to cover the entire nominal value of the transaction, covers only part of it, which allows the use the so-called effect of financial leverage.

II.2. LEVERAGE MECHANISM

The value of margin is only part of the nominal value of the transaction, an investor may conclude, therefore derivative instruments are accompanied by leverage. This allows you to achieve significant profits as well as incur severe losses with the investment of only a small amount of deposit. Investing through use of leverage can have the effect of "multiplying" available funds compared to the cash market.

The higher the leverage, the greater the risk of loss of investment if the price of the instrument evolved in a manner unfavourable to the investor, but also a chance to achieve significant profits for the change of the market preferred by the investor.

II.3. Underlying instrument

Underlying instruments shall be construed as equity instruments, debt instruments, other securities, currencies, interest rates, stock indices, commodities and other instruments tendered certain derivatives.

II.4. A derivative

A derivative is a financial instrument whose value depends on, or is derived from one (or more) of underlying instruments. Derivative as such is a contract (agreement) between two or more parties. Its value is dependent on fluctuations in the value of underlying instruments. The most popular underlying instruments are stocks, bonds, commodities, currencies, interest rates and market indexes.

Derivatives can be classified according to the type of market in which transactions are concluded: OTC derivatives and listed derivatives. In the case of OTC derivatives (OTC) contract is concluded between two entities without regulated markets (exchanges and clearing houses), in the case of exchange-traded derivatives, the stock market is the place of the transaction. Instrument OTC / OTC contract is a contract negotiated between two parties which does not participate in trading on a regulated market. Such contracts are often tailored to specific customer's needs.

III. CATEGORIES OF RISKS

III.1. Market risk or the risk of unfavourable change in the price of the underlying instrument:

Market risk or the risk of unfavourable change in the price of the underlying instrument is the risk that fluctuations in the price of a financial instrument resulting from changes in market factors, such as eg. interest rates, exchange rates, indices, will have a negative impact on financial results.

Exchange rates, interest rates, like other market factors, for example stock indices, commodity prices are formed depending on the overall macroeconomic health of the economy, as well as are subject to changes due to the behavior of other participants in the money market. This means that the expectations of other market participants, led by their policy, any transaction may have a significant impact on the level and volatility of market factors (price parameters), and thus the valuation of financial instruments and financial results.

Market risk for part of the transaction is linear, which means that changes in exchange rates or interest rates can translate proportionally to the value of transactions, and so results realised on them. The risk, however, can also be non-linear. In this case, change in the value of the instrument is greater than or smaller than the change in the exchange rate or interest rate and does not change proportionally, following the changes in interest rates or foreign exchange rates. Non-linear change in the value of transactions in relation to market conditions, relates inter alia to option transactions, both currency options and interest rate options and instruments based on the prices of bonds.

Below are presented basic categories of market risk:

Currency risk: the risk that the change in price of one currency against the other will adversely affect the valuation of the transaction and consequently the financial results of the customer, which take account of the result of the valuation.

Currency price is expressed through its exchange rate against other currencies. Valuation leads to the determination of its value, e.g. foreign currency forward contracts, based on prevailing market conditions at the time of valuation. The valuation may include unique characteristics, e.g. the size (nominal value) or method of settlement (by delivery or by means of cash settlement).

Where transactions are settled in foreign currencies, the Customer shall also bear the risks arising from the conversion into the base currency of cash account (eg. EUREUR) resulting from the settlement of the transaction amount in foreign currency. For example, for a transaction of EUR / USD, in which the valuation is conducted in US dollars, when the local currency is EUREUR, the risk of the USD / EUR conversion also arises. This risk results from changes in the exchange rate of the settlement (in our example USD) to the base currency of the cash account (in the example EUR).

Interest rate risk: the risk that changes in domestic or foreign interest rates negatively affect the value of the transaction and consequently the financial performance of the customer. The level of interest rates will affect the value of virtually all financial instruments, including those that rely mainly on e.x. change of stock exchange indices (futures) or currency exchange rates (FX forwards, options).

III.2. Liquidity risk:

Liquidity risk is the risk associated with a lack of or limited trading of a financial instrument that cannot be bought or sold at any time or the settlement price of the transaction which is significantly different from the price that could be obtained in a fully liquid market. Increased liquidity risk may in particular occur if market downturns. The risk of liquidity affects to lesser extent instruments with standard volumes, with a large trading market (eg. FX spot major currencies, especially EUR / USD) than instrument of unusual (usually too small) volumes and unique (exotic) characteristics.

III.3. Additional security:

You may be asked to make additional security, the type and value of which will be determined by TMS Europe according to the principles set out in the regulations and agreements relevant for the type of transaction.

The standard case of security required by TMS Europe is cash. The customer is obliged to provide security at the opening of each new position or supplement the already established security in the event of exceeding the value determined in agreement with TMS Europe contract.

III.4. Credit risk:

The risk related to the fact that the counterparty with whom the transaction was concluded or the issuer (issuer) of a financial instrument is unable to fulfil its obligations.

As part of the credit risk, risk of settlement can be distinguished which is understood as a situation in which before the contractual maturity, the counterparty, eg. due to their bad financial situation, refuses to deliver on their commitments, including those resulting from transactions with other counterparties and settlement risk construed as failure to comply with obligations on the settlement date.

III.5. Force majeure:

This is a risk or circumstances beyond the control of human beings which cannot be predicted in advance, affecting business operations.

III.6. Operational risk:

The risk associated with the possibility of system failures, personnel or procedural problems, as well as the intended actions of persons representing the parties to the transaction or third parties, aimed at obtaining illegitimate benefits. This risk may affect directly or indirectly the parties to the transaction and / or parameters of the transaction.

The customer should bear in mind the fact that the transactions made via electronic systems carry the risk of errors or delays in the completion of the transaction or emissions data. As a result of the irregularities in the operation of the systems, the order made by the customer may not be realized, or the conditions for its implementation may differ from the original intent of the customer.

III.7. Tax risk:

Risks associated with questioning by the tax authorities of tax settlements of the Customer. To minimize this risk, TMS Europe is advising customers to benefit from the assistance of tax advisers to determine the tax consequences of the acquisition and disposal of financial instruments.

III.8. Inflation risk:

The risk that inflation will have a negative impact on the returns of the transaction. This risk means that as a result of inflation the amount of funds received from the settlement date, may have less purchasing power (does not allow for the acquisition of the same basket of goods), in relation to purchasing power on the day of the transaction.

These categories relate to the basic types of risks that are associated with financial instruments traded on unregulated market (OTC), offered by TMS Europe through transactional systems. It cannot be ruled out that in certain circumstances there will be risk types other than the categories above, or those that have been presented will have a greater impact on the situation of individual clients.

Presented descriptions of risks relate mainly to individual transactions (instruments). Conclusion of multiple transactions at the same time, included in the so-called transaction structures (eg. the option structures), entail a risk profile, which may differ materially from the risk profile of individual transactions. In exceptional cases, this may mean greater risk borne by the customer.

III.9. Risk of spreads:

Transaction spreads may change, the result of which may be an unfavourable change in the value of assets on the Client's account and incurring unexpected losses. Spreads widen in particular in the following conditions:

- Outside of working hours of a local market for a financial instrument,
- In the period of above-average fluctuations,
- In the circumstances of limited liquidity,
- In connection with present or expected effects of economic and political events affecting financial markets,
- During the holiday season on the local market for a financial instrument,
- In cases of events defined as force majeure,
- In other justified cases.

III.10. The risk of execution of pending order at a different price than the price specified in the order

TMS Europe is committed to making every possible effort to execute the order immediately after reaching the order price specified by the Client, but does not guarantee the execution of the order at that price. In particular in the event of a price gap between the closing price and the exchange rate of the opening of the next trading session, the order is executed at the opening price, and not at the price specified in the order.

For the OTC market, prices that follow periods of price gaps may vary depending on the source (broker or news agency)

III.11. The risk that a transaction with instruments based on commodities

Goods are characterized by above-average volatility, higher than that observed for any other assets. This variation stems from the fact that the goods are not always easy to store, they are subject to rapid decay, and their resources on the Earth's surface may be limited. In a situation of weather-related events or geopolitical changes of the available resources of the goods, their price may be subject to rapid fluctuations. Changes in the availability of the goods may also result in a change to characteristics of a given commodity futures rates, especially normal changes occurring in a given commodity from contango to backwardation and vice versa. For the reasons mentioned above, instruments based on commodities should be subject to specific risk analysis by the Client.

IV. CHARACTERISTICS OF FINANCIAL INSTRUMENTS AND INDICATION OF RISKS

The types of risks presented below should be considered as important but not the only risks associated with entering into or settlement of transactions in financial instruments offered by TMS Europe.

IV.1. FX spot

Characteristics

FX spot are typical for the unregulated currency market. Settlement takes place in real time by transferring the difference between the price at the opening position and the price at the closing of positions in the currency. These transactions do not require any of the parties to deliver the underlying instrument. For this reason, they are accounted for as derivatives. FX Spot enable the use of leverage. In the case of currency instruments, these are considered transactions of purchase / sale of a currency for another currency implemented on an ongoing basis at prices made available for electronic transaction system. For other financial instruments, this may be the rate or price of the stock exchange index, stocks, raw materials or other underlying instrument.

Where the customer does not conclude a transaction by the end of the day, the position is retained for another day. The operation of transfer of transactions to another day involves the calculation of SWAP points, or correcting the course of the value of transaction.

Spot transactions concluded on the OTC market may be of virtual nature. They do not impose on any of the parties the obligation to deliver the underlying instrument. Settlement takes place in real time by the difference between the opening price and closing with regard to changes in foreign currency in which the underlying asset is denominated.

Risk description:

1) The risk of an unfavourable change in the price of the underlying instrument

There is a risk that the change in price of one currency against another will have a negative effect on the valuation of the transaction and consequently the financial performance of the customer. The risk depends on the difference in exchange rates established in the transaction and on the settlement date of the transaction.

2) Leverage mechanism

Thanks to the use of leverage, investors can enter into transactions with a nominal value which far exceeds the amount of the security deposit paid. Therefore, even small fluctuations in the underlying instruments may have a significant impact on the value of the deposit and, consequently, can cause losses in excess of the value of deposit paid.

In addition, TMS Europe can use a portfolio approach for certain transactional systems for the calculation of margin to account. This means that in the case of several opened positions in OTC Financial Instruments, margins for each of the open positions may cancel each other out.

3) Liquidity risk

Liquidity risk is associated with a lack of or limited trading in the instrument, which means that this instrument cannot be bought / sold at any time or the price at which the transaction is significantly different from that which could be achieved in conditions of full market liquidity. Liquidity risk is low in the case of major currencies like EUR, USD, GBP, JPY and others, and the national currency EUR, and may be higher for currencies that are less common in trade.

4) The risk associated with topping up of the margin

Secured deposit transactions are subject to risks. They allow you to open a position worth more than the value of the account, so if the trading of the underlying instrument changes for the worse from the point of view of the investor, the investor may incur heavy losses, including the loss of the amount of the security deposit. If the margin drops below a certain level TMS Europe may close some or all open positions on the client's account. By executing its right specified in clause 6 TMS Europe shall close a position commencing from the position generating the highest loss. A position shall be closed at the first market price available.

5) Country risk

This risk is associated with the possibility of increasing the spread, or as a last resort of suspending the quotations on the instrument, which is the underlying CFD, caused by events of a political or macroeconomic nature or natural disasters (Force Majeure) in the country which is the country responsible for that underlying instrument.

Country risk is also related to the changing of foreign exchange law or suspension in the convertibility of the currency by the authorities in power or change in the monetary policy in the country.

IV.2. The contract for difference (CFD)

Contract for difference (CFD) is a derivative that allows investors to trade based on changing market prices of shares and indices without having ownership of the share. This instrument is non-standard, so the parameters of a CFD, as the transaction value, the minimum change in price or time to maturity are not fixed. CFD was created for mapping the traditional trading in stocks on the derivatives market, the fact that an investor buying a CFD does not become a shareholder in the company's capital, but rather his profits arise from fluctuations in the underlying instrument and, in case of having a long position, may also result from the payment of dividends or the sale of rights to subscribe for new shares.

CFDs offered by TMS Europe are virtual, i.e. the settlement takes place by transfer of the difference between the price of the underlying instrument at the opening position, and the price of the instrument at the closing of the position. These transactions do not require any of the parties to deliver the underlying instrument. Trading in CFDs allows the use of leverage.

Risk description:

1) The risk of an unfavourable change in the price of the underlying instrument

There is a risk that the change in price of one currency against another will have a negative effect on the valuation of the transaction and consequently the financial performance of the customer. The risk depends on the difference in exchange rates established in the transaction and on the settlement date of the transaction.

2) Leverage mechanism

Thanks to the use of leverage, investors can enter into transactions with a nominal value which far exceeds the amount of the security deposit paid. Therefore, even small fluctuations in the underlying instruments may have a significant impact on the value of the deposit and, consequently, can cause losses in excess of the value of deposit paid.

In addition, TMS Europe can use a portfolio approach for certain transactional systems for the calculation of margin to account. This means that in the case of several opened positions in OTC Financial Instruments, margins for each of the open positions may cancel each other out.

3) Liquidity risk

Liquidity risk is associated with a lack of or limited trading in the instrument, which means that this instrument cannot be bought / sold at any time or the price at which the transaction is significantly different from that which could be achieved in conditions of full market liquidity. Liquidity risk is low in the case of major currencies like EUR, USD, GBP, JPY and others, and the national currency EUR, and may be higher for currencies that are less common in trade.

4) The risk associated with topping up of the margin

Secured deposit transactions are subject to risks. They allow you to open a position worth more than the value of the account, so if the trading of the underlying instrument changes for the worse from the point of view of the investor, the investor may incur heavy losses, including the loss of the amount of the security deposit. If the margin drops below a certain level TMS Europe may close some or all open positions on the client's account.

5) Risk of suspension of trading by the organizer of the market

There is a risk that the trading in capital instruments, which are the underlying instruments for CFD, will be halted or suspended by the organizer of the relevant stock exchanges for the equity instrument. In such a situation, trading in CFD on indices may also be paused or suspended. Consequently, the customer may not be able to conclude a transaction and incur losses.

If the organizer of the exchange decides to cancel the transactions concluded in a given price range, TMS Europe can also make the cancellation of transactions using CFD.

6) The risk of forced closing of short positions on CFDs

If you have open positions on CFD there is a risk of forcible closure of short positions after an unfavourable price for the investor.

IV.3. FORWARD FOREIGN EXCHANGE (FX Forward)

Characteristics

This is an agreement between two parties to purchase / sell a predetermined amount of foreign currency at a specified future date and at a precisely defined point in time of concluding the contract price. Forward contracts are not traded on a regulated market. Terms of the forward contract are negotiated individually between the parties. FX forwards offered by TMS Europe are virtual transactions, which means that on the settlement date there is no delivery of the underlying assets, but the valuation is based on the difference between the forward rate as determined at the time of the transaction and the current rate (non-deliverable forwards). Investing in FX forwards allows the use of leverage.

- long position in the contract is the obligation of the buyer to buy the underlying asset at a predetermined price. The purchaser entering into such a contract expects the price of the underlying instrument to rise by the maturity of the contract.
- short position in the contract means the undertaking by the seller to deliver the underlying asset at a predetermined price. Seller entering into such a contract expects the price of the underlying instrument to drop by maturity of the contract.

Risk description:

1) The risk of an unfavourable change in the price of the underlying instrument

In the case of purchase of the forward instrument investor makes a profit if the price of the underlying instrument at the time of settlement is higher than the contract price while taking into account the cost of the contract. In contrast, an investor suffers a loss if the price of the underlying instrument at the time of settlement will be lower than the price specified in the contract.

For forward instruments investor makes a profit if the price of the underlying instrument at the time of settlement is lower than the contract price, and the investor suffers a loss if the price of the underlying instrument at the time of settlement is higher than the price specified in the contract.

2) Leverage mechanism

Thanks to the use of leverage, investors can enter into transactions with a nominal value which far exceeds the amount of the security deposit paid. Therefore, even small fluctuations in the underlying instruments may have a significant impact on the value of the deposit and, consequently, can cause losses in excess of the value of deposit paid.

In addition, TMS Europe can use a portfolio approach for certain transactional systems for the calculation of margin to account. This means that in the case of several opened positions in OTC Financial Instruments, margins for each of the open positions may cancel each other out.

3) Risk of reduced availability market for a given underlying instrument

This type of risk is associated with a lack of or limited trading in the instrument, which means that this instrument cannot be bought / sold at any time or the price at which the transaction is significantly different from that which could be achieved in conditions of full market liquidity. Liquidity risk is low in the case of major currencies like EUR, USD, GBP, JPY, and others, and the national currency EUR, and may be higher for currencies that are less common in trade.

4) The risk associated with topping up of the margin

Secured deposit transactions are subject to risks. They allow you to open a position worth more than the value of the account, so if the trading of the underlying instrument changes for the worse from the point of view of the investor, the investor may incur heavy losses, including the loss of the amount of the security deposit. If the margin drops below a certain level TMS Europe may close some or all open positions on the client's account.

IV.4. FUTURES

Characteristics

An agreement between two parties in which one party agrees to purchase, and the other to sell a specified quantity of a standardized underlying instrument at a specified future date and at a precisely defined price at the time of concluding the contract.

Futures contracts are traded on regulated markets. These transactions do not require any of the parties to deliver the underlying instrument. Investing in futures enables the use of leverage.

Terms of trading in futures are determined by the regulated market on which the contract is traded. Each futures contract has a certain size, denomination and currency as well as the expiry date.

The underlying instrument for futures contracts offered by TMS Europe may be precious metals, energy, agricultural commodities, bonds, interest rates, currencies and indices.

Buying a futures contract or its sale gives rise to the open position. The buyer of the contract opens a long position while the seller of the contract opens a short position.

- long position in the contract is the obligation of the buyer to buy the underlying asset at a predetermined price. The purchaser entering into such contract expects the price of the underlying instrument to increase by maturity of the contract;
- short position in the contract means the undertaking by the seller to deliver the underlying asset at a predetermined price. Seller entering into such a contract expects the price of the underlying instrument to drop by maturity of the contract.

Risk description:

1) The risk of unfavorable changes in the price of the underlying instrument

In case of purchase of the futures instrument, the investor makes a profit if the price of the underlying instrument at the time of settlement is higher than the contract price, while taking into account the cost of the contract. In contrast, an investor suffers a loss if the price of the underlying instrument at the time of settlement is lower than the contract price declared in the contract. If the futures instrument is sold, the investor makes a profit if the price of the underlying instrument at the time of settlement is lower than the contract price, and the investor suffers a loss if the price of the underlying instrument at the time of settlement is higher than the contract price declared in the contract.

2) Leverage mechanism

Thanks to the use of leverage, investors can enter into transactions with a nominal value which far exceeds the amount of the security deposit paid. Therefore, even small fluctuations in the underlying instruments may have a significant impact on the value of the deposit and, consequently, can cause losses in excess of the value of deposit paid.

In addition, TMS Europe can use a portfolio approach for certain transactional systems for the calculation of margin to account. This means that in the case of several opened positions in OTC Financial Instruments, margins for each of the open positions may cancel each other out.

3) The risk associated with topping up of the margin

Secured deposit transactions are subject to risks. They allow you to open a position worth more than the value of the account, so if the trading of the underlying instrument changes for the worse from the point of view of the investor, the investor may incur heavy losses, including the loss of the amount of the security deposit. If the margin drops below a certain level TMS Europe may close some or all open positions on the client's account.

4) The risk of change in the margin by the clearing counterparty

The customer should keep in mind the risk of change in the margin requirement, which in turn may lead to the need for a margin top-up, and in the absence of adequate funds in the account, to closing of the open position.

5) Risk of suspension of trading

Prices may vary within certain ranges, the change in price during the day beyond certain spreads can lead to an automatic suspension of trading of the financial instrument. Consequently, the customer may not be able to close an open position.

IV.5. OPTIONS

Characteristics

An option is a financial instrument having the form of a contract between the buyer (Buyer) and issuer (Seller), according to which the Buyer has the right (but not the obligation, as in the case of futures and forward) to buy (call option) or sell (put option) an instrument at a predetermined price.

For purchased right buyer pays a premium, in order to bind the Seller to honour the Buyer's right. Transactions in options allow the use of leverage. These transactions are virtual. Options offered by TMS Europe are instruments traded both on the OTC market and the regulated market.

Buyer of option - holds a long position in the underlying instrument. To close the position he should sell an option with the same date of execution and the same exercise price.

Seller of option - takes a short position in the underlying instrument. To close the position, he must acquire an option with the same date of execution and the same exercise price.

Risk description:

1) The risk of unfavourable changes in the price of the underlying instrument

The risk mainly depends on future changes in foreign currency pairs in the case of currency options and the change in future value of volatility of the underlying instrument, time remaining to be settled, and to some extent the interest rates for the currencies specified in the transaction.

Option buyer's risk is much less than the risk of the seller. In the worst case, the option buyer can lose the premium paid to the seller, and the seller's loss can be unlimited.

The risk borne by the call option seller is unlimited and is carried out in case of increase of the exchange rate for a currency pair specified under the terms of the transaction. The higher the difference between the market exchange rate and the contract rate specified in the terms of the transaction, the greater the valuation of the Call option, and therefore the higher the settlement amount, the seller must pay in case of its implementation.

The risk borne by the seller put option is limited only by the nominal amount of currency sold and implemented in case of a fall of the exchange rate for a currency pair specified under the terms of the transaction. The higher the difference between the contract rate set in the conditions of the transaction and the market exchange rate, the higher the valuation of the put option and therefore the higher the settlement amount the seller must pay for implementation of the option.

2) Leverage mechanism

Thanks to the use of leverage, investors can enter into transactions with a nominal value which far exceeds the amount of the security deposit paid. Therefore, even small fluctuations in the underlying instruments may have a significant impact on the value of the deposit and, consequently, can cause losses in excess of the value of deposit paid.

In addition, TMS Europe can use a portfolio approach for certain transactional systems for the calculation of margin to account. This means that in the case of several opened positions in OTC Financial Instruments, margins for each of the open positions may cancel each other out.

3) Risk of reduced availability market for a given underlying instrument

This type of risk is associated with a lack of or limited trading in the instrument, which means that this instrument cannot be bought / sold at any time or the price at which the transaction is significantly different from that which could be achieved in conditions of full market liquidity. Liquidity risk is low in the case of major currencies like EUR, USD, GBP, JPY, and others, and the national currency EUR, and may be higher for currencies that are less common in trade.

4) The risk associated with topping up of the margin

Secured deposit transactions are subject to risks. They allow you to open a position worth more than the value of the account, so if the trading of the underlying instrument changes for the worse from the point of view of the investor, the investor may incur heavy losses, including the loss of the amount of the security deposit. If the margin drops below a certain level TMS Europe may close some or all open positions on the client's account.

5) Change in the methodology for calculating margins for complex portfolios

If the customer has a large portfolio of positions in OTC derivatives with a balanced risk profile (CFD, forwards and other equivalent instruments) and then adds to this portfolio even only one option OTC, margin for all open positions OTC will be calculated in a manner appropriate for the options portfolio. Additionally, the Customer must bear in mind the fact that the resulting premium from the sale of options may not cover the levels of margin required by TMS Europe under this operation.

V. RISK MITIGATION

1. TMS Europe recommends that before investing money in financial instruments Customer familiarizes himself with the impact that leverage may have on profits / losses from the transaction, the nature of the market and technical conditions of the transactional system through which transactions will be concluded on his account. In particular, it is recommended to use the demo version of transactional system available free of charge on TMS Europe websites.

2. TMS Europe also recommends to investors who are beginners to take part in training in financial instruments and market mechanisms organized by TMS Europe or other entities.

3. Before making a decision to carry out a transaction in financial instruments Customer - given his own experience, goals and personal risk appetite - should consider whether to such transaction is the appropriate for him. If the Customer has any doubts, he is obliged to return to TMS Europe for an explanation.

4. In the event the Client uses the service of the execution of orders to buy or sell financial instruments on behalf of the principal, in order to reduce the risks associated with entering into transactions involving the establishment of a margin, Customer should consider taking a variety of hedging measures, in particular placing orders restricting the occurrence of loss (stop -loss).

5. The Customer should adapt to the needs of technical equipment for the smooth functioning of electronic communication with TMS Europe servers.

6. The client should consider the use of the orders automatically closing transactions in excess of the conditions established in the order (a stop - loss).

7. The Customer should take into account, when placing stop orders, possibility of execution of orders on terms worse than expected, especially in the presence of price gaps.

8. The Customer should take into account, when planning the investment, any fees and commissions associated with support for transaction processing, as well as the rules for determining swap points.

9. The customer should take into account the risk of closing the position immediately after its opening, due to differences between the valuation of currency option and a way of establishing a security deposit.

Information about investing in instruments offered by TMS Europe is available for all of the transactional system on TMS Europe websites (www.tmseurope.com).