convera

Product Disclosure Statement for Foreign Exchange Options Products

Convera Europe Financial S.A.

1. Purpose

This Product Disclosure Statement (**PDS**) is an important document containing information about Convera Europe Financial S.A.'s, Foreign Exchange Options products. Convera is providing you with this PDS so that you receive important information about its Structured Options products including their benefits, risks and costs.

We recommend that you read this PDS in full before you make a decision to acquire a product described in this PDS. All information provided in this PDS is general in nature and does not take into account your individual objectives, financial situation or specific needs. We recommend that after reading this PDS you consider whether the features of our products, including the advantages and disadvantages, will meet your individual objectives, financial situation or specific needs.

Our Financial Services Guide (**FSG**), which will also be provided to you, sets out further information about Convera and the products and services we offer.

If you have any questions or need more information, please contact Convera.

2. Issuer

Convera Europe Financial S.A., has approved and prepared this document and is your counterparty to the financial products that are the subject of this document.

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Regulatory Information:

Convera is authorised and regulated by the:

Commission de Surveillance du Secteur Financier

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3. Vanilla Options

3.1 What is a Vanilla Option?

A Vanilla Option is an agreement between two parties (the **buyer** of the Vanilla Option – for this product type this will always be you, the client - and the **seller** of the Vanilla Option – which for this product type will always be Convera) that gives the buyer the right but not the obligation to buy (a Vanilla Call Option) or sell (a Vanilla Put Option) one currency in exchange for another currency (**Currency Couple**) at an agreed exchange rate (the **Strike Rate**) on a predetermined date in the future (the **Expiry Date**).

The terms 'buyer' and 'seller' are used in the context of our Vanilla Option product to more clearly illustrate the mechanics of such product.

3.2 How does it work?

When you, the buyer, enter into a Vanilla Option you nominate the Currency Couple, Strike Rate and Expiry Date. The currencies that you wish to exchange must be acceptable to Convera. Convera only offers 'European' style Vanilla Options. This means that you may only exercise the Vanilla Option on the Expiry Date. Convera will calculate a premium which is payable by the buyer of the Vanilla Option. If you are the buyer you will be required to pay the premium to Convera within two business days of the Trade Date.

If you are the buyer of a Vanilla Option on the Expiry Date:

• If the prevailing Spot Rate is less favourable than the Strike Rate it will be more advantageous for you to exercise your right to exchange the Currency Couple at the strike rate. You will then be required to settle the contract within two business days of the Expiry Date.

• If the prevailing Spot Rate is more favourable than the Strike Rate it will be more advantageous for you to let the Option lapse. This is because the Spot Rate on the day will provide you with a better rate of exchange than the Strike Rate. Accordingly you may choose to exchange currencies at the Spot Rate.

3.3 Purpose of a Vanilla Option:

Vanilla Options enable the buyer to fix a known worst case exchange rate in advance of a chosen Expiry Date without forgoing the ability to benefit should the market move in their favour.

3.4 Cost of a Vanilla Option:

In return for Convera selling you a Vanilla Option, you pay Convera a non-refundable premium. We calculate the premium on a transaction-by-transaction basis. We will require you of the premium to be paid for your Vanilla Option before we enter into the transaction.

The Premium can be paid in either EUR or in one of the currencies in the Currency Couple. Premiums are payable within 2 business days of the Trade Date. When calculating any Premium, Convera takes into account several factors including:

- The Strike Rate and the Expiry Date (Time to Maturity)
- The amount of the Vanilla Option
- Current market foreign exchange rates (based on wholesale rates which Convera is able to obtain from the money interbank market)
- The interest rates of the countries whose currencies are being exchanged
- Market volatility
- The costs incurred by Convera by entering into the transaction with you

Convera considers that Vanilla Options are only suitable for persons who understand and accept the risks involved in investing in financial products involving foreign exchange rates. Foreign exchange currency markets are subject to many influences which may result in rapid currency fluctuations (market volatility). Foreign exchange transactions can sometimes result in a loss if exchange rates experience volatility. You should understand these risks and monitor your positions.

Convera recommends that you obtain independent financial advice before entering into a Vanilla Option.

There are no other up-front transaction fees associated with the purchase of this type of product. All costs and charges are incorporated into the premium as set out above. On expiry, should you exercise the deal a telegraphic transfer fee may apply to the transfer of your funds.

Should you wish to cancel the option, in certain circumstances, it may be possible – atConvera's discretion - to sell the contract back to the market at the prevailing rate. . The resulting funds will then be returned to you minus our costs which will be disclosed to you prior to transacting. You should note that the premium that you initially paid for the option is not refundable.

As this option type places no obligation on you to trade there is no requirement for payment of deposit or margin at any stage. There is only the requirement to pay the non-refundable premium at the time of entering into the contract.

3.5 Advantages of a Vanilla Option

- A Vanilla Option provides protection against adverse movements in the exchange rate during the term of the option.

- Vanilla Options can be precisely tailored to your specific requirements as you are able to choose the Strike Rate, Expiry Date and Contracted notional amount.

- Unless you exercise your Vanilla Option you are not committed to exchange currencies. Consequently you are able to participate in all favourable exchange rate movements.

3.6 Disadvantages of a Vanilla Option

- **An upfront premium is payable when you purchase your Vanilla Option. This premium is non-refundable regardless of whether the option lapses or is terminated before the Expiry Date.**

- **Depending on the market rate prevailing on the Expiry Date the total cost of the transaction (i.e. the cost of the currency you are buying plus the premium you paid) may prove to be more expensive than an equivalent forward contract or alternative hedging product might have been.**

This 'total cost' of hedging needs to be taken into account when deciding whether or not to enter into this type of option contract

- **Depending on prevailing market rates, the total cost of the Vanilla Option, including the premium plus the ultimate foreign exchange cost, might be higher than if you have not purchased a Vanilla Option.**

- **At the Expiry Date or upon cancellation of the Vanilla Option, movements in market exchange rates plus the passage of time may result in the Option having a reduced value or even no value**.

3.7 Settlement of a Vanilla Option

At the Expiry Time (usually 10am in New York (2pm in Frankfurt)) on the Expiry Date, you will have the right, but no obligation to exchange the Contracted notional value of currency at the Protected Rate. If the option expires 'In-the-money' (ie the Protected Rate is more favourable to you than the prevailing Spot Rate at the Expiry Time on the Expiry Date) Convera will automatically exercise the option on your behalf and advise you of the fact as soon as possible afterwards. Please note, that this still does not place you under any obligation to take up the trade. However, if you do decide to take up the trade, you must advise us of your intentions with regards to settlement on the same day.

If you choose not to exercise your right to exchange the Contracted notional at the Protected Rate for whatever reason, the option will cease to exist at this time and no further action is required.

3.8 Examples

Example of a Vanilla Put Option used by an importer

An importer wishes to hedge USD against EUR EURfor a six month future settlement date and wishes to protect himself against any unfavourable exchange rate movements (fall in the EUR/USD rate) whilst benefiting from a favourable foreign exchange rate movement (rise in the EUR/USD rate).

The importer decides to buy a EUR/USD Vanilla Put Option from Convera. This gives the importer the right, but not an obligation to sell EUR and buy USD at a set rate on the Expiry Date.

The importer provides details of the relevant Expiry Date, strike rate, and the Contracted notional amount of EUR they wish to sell or USD they wish to buy.

Assume the following conditions:

- the current Spot Rate is 1.2150 and the six month Forward rate is 1.2125;
- the strike rate is 1.2000. The strike rate is also known as the Worst Case rate;
- the Expiry Date is six months after the Trade date;
- the premium calculated by Convera to be paid is equivalent to 2,5% of the Contracted notional amount. For example, if the Contracted notional EUR amount is EUR 100,000, the premium will be EUR 2.500.

At the expiry time on the Expiry Date:

If the Spot Rate is at or below the strike rate of 1.2000, the importer may choose, but is not obliged, to exercise their right to exchange EUR for USD at the agreed strike rate of 1.2000 for delivery on the settlement date.

If, on the other hand, the Spot Rate is above the strike rate of 1.2000 the importer is free to let the Option lapse and buy the required amount of USD at the prevailing Spot Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources

Example of a Vanilla Call Option used by an exporter

An exporter wishes to hedge USD against EUR for a six month future settlement date and wishes to protect themselves against any unfavourable exchange rate movements (rise in the EUR/USD) whilst benefiting from a favourable foreign exchange rate movement (fall in the EUR/USD).

The exporter decides to buy a EUR/USD Vanilla Call Option. This will give the exporter the right, but no obligation to buy EUR for USD for a set rate on the Expiry Date, if the exporter wants to.

The exporter provides details of the relevant Expiry Date, strike rate, the amount of USD.

Assume the following conditions:

- the current Spot Rate is 1.2150 and six month Forward rate is 1.2125;
- strike rate is 1.2300; The strike rate is also known as the Worst Case rate;
- Expiry Date is six months after Trade date;
- premium calculated by Convera to be paid is equivalent to 2.3% of the Contracted notional amount of the contract. For example, if the Contracted notional value is EUR 100,000, the premium will be EUR 2.300.

At the expiry time on the Expiry Date:

If the Spot Rate is at or above the strike rate of 1.2300, the exporter may choose, but is not obliged to exercise their right to exchange USD for EUR at the agreed strike rate of 1.2300 for delivery on the settlement date.

If, on the other hand, the Spot Rate is below the strike rate of 1.2300 the exporter is free to allow the Option to lapse and then sell the USD at the prevailing Spot Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources

4. Structured FX Options

4.1 What is a Structured Option?

A structured foreign exchange option is a term that describes a group of foreign exchange products that have been developed as foreign exchange risk management alternatives to Forward Exchange Contracts and Vanilla Options.

A structured option (**Structured Option**) is an agreement to exchange a specified amount of one currency for another currency at a Foreign Exchange Rate determined in accordance with the mechanisms set out in the structure at an agreed time (**Expiry Time**) on an agreed date (**Expiry Date**). The exchange of currencies generally then takes place within two (2) clear business days after the Expiry Date (**Value Date**).

The mechanism(s) for determining the applicable Foreign Exchange Rate and other conditions of a Structured Option will depend on the particular product that you enter into. Convera offers nine (9) Structured Options the following information describes how the Foreign Exchange Rate and conditions are determined in relation to each of these products.

4.2 How does a Structured Option work?

Also known as ‘zero cost’ or ‘zero premium’ options these structures typically involve the simultaneous purchase and sale of two or more options. You buy the protection that you require with one option and in order to pay for it, instead of paying a premium, you sell another option with an equivalent value to the other party. Whereas, with a vanilla option there will never be any obligation on you to trade, when entering into a structured option, the option you sell confers a potential right to trade on the other party which they may choose to exercise against you, if it is in their interests to do so. As a result, unlike a Vanilla Option, your ability to benefit from favourable movements will be limited to a degree and, at expiry you may be left with an obligation to trade.

For the avoidance of doubt, you, the client, will always be the buyer of a Structured Option regardless of the treatment of its constituent parts. The risk from any option sale that takes place to create the given structure will be offset by the protection that you are buying. You will never be selling an option in isolation. This means that your exposure to risk is known and quantifiable from the outset. It is only Convera that will sell any Vanilla or Structured Option. The terms ‘Buying’ and ‘Selling’ are used in the context of our Structured Options products to more clearly illustrate the mechanics a particular Structured Option product.

4.3 Knock In & Knock Out Barriers, “Window Barriers” and “At Expiry Barriers”

A number of structured products involve the use of triggers or barriers (two names for the same thing). These are set at a given rate and, should the underlying Spot Rate trade at or beyond the trigger/barrier during the observation period, will change the nature of the structured product you have bought – usually by either placing you under, or freeing you from, the potential obligation to deal at a given rate at expiry.

Typically, as the buyer of a zero-cost structure you will be buying the right, but not the obligation to trade at the Protection Rate – and then selling Knock In or Knock Out option(s) in order to offset the cost. In this case – a Knock In option remains dormant unless the underlying rate trades at or beyond the barrier. If this does not happen, you will be under no obligation to deal at expiry. On the other hand, if the barrier is breached, the option you have sold comes into force and may be exercised against you – depending on the rate at expiry – meaning you may be obliged to deal at a given rate. A Knock Out option does the opposite – placing you under an obligation to trade *unless* the underlying rate trades at or beyond the barrier – in which case you will be released from that obligation.

It is possible to vary the period during which these triggers/barriers are observed, but you should be aware that the default position is for this to be the entire duration of the contract – in other words, the barrier is constantly observed. So, if your option product does not specify 'Window' or 'At Expiry', then your barrier will be live throughout the contract. However, you may instead choose to have the Knock In/ Knock Out barrier only be observed during a given period of time that is shorter than the term of the contract or alternatively only at the Expiry Time on the Expiry Date. If the Knock In/Out /barrier is only observed during a specified period during the term of the contract, (usually the final month) it is referred to as a **Window Barrier**. If the Knock in/ Knock Outbarrier is only observed at the Expiry Time on the Expiry Date, it is known as an **At Expiry Barrier**.

If a shorter observation period is nominated, the Spot Rate can trade at or beyond the Knock In/Knock Out barrier rate without you being Knocked In or Knocked Out – provided that this takes place outside of the specified window period for a Window Barrier – or prior to the expiry time on the Expiry Date for an At Expiry Barrier. For example, if you nominate a window that only encompasses the "last day" of the contract, the Spot Rate would only be compared to the Knock In/Knock Out barrier rate from 10am New York time on the day before expiry until 10am New York time on the Expiry Date to determine whether you are Knocked In or Knocked Out. Alternatively, if you nominate an At Expiry Barrier, the Spot Rate would only be compared to the Knock In/Knock Out barrier rate at precisely 10am New York time on the Expiry Date to determine whether you are Knocked In or Knocked Out. Please note, choosing a shorter observation period – as opposed to the default position of a constantly observed barrier – will often result in a Knock In/ Knock Out rate and / or Protection Rate that is less favourable to you than if the Knock In/Knock Out barrier were observed throughout the term of the contract.

Shorter Knock In and / or Knock Out observation periods are typically used on the following products:

Knock In

Knock In Collar

Knock In Convertible

Participating Knock In

Knock In Improver

Knock Out Reset

They may, however, be used on any product containing a Knock In or Knock Out barrier.

4.4 Our Structured Options

The examples that are used within the description of each Structured Option product below are for information purposes only and use rates and figures that we have selected to demonstrate how each product works. In order to assess the merits of any particular Structured Option you should use the actual rates and figures quoted at the relevant time.

Moreover, all of the examples have been written from the perspective of a Luxembourgian importer. We would be happy to discuss alternatives to these examples with you.

4.4.1 Collar

General Product Information

A collar (**Collar**) is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated worst case rate known as the **Protection Rate**. It also gives you the opportunity to participate in favourable movements in the Spot Exchange Rate between the Protection Rate and a given best case rate known as the **Participation Rate**.

How a Collar Works

A Collar is structured by entering into two concurrent options. In the first you buy a Put Option from Convera giving you the right, but no obligation to sell the Contracted notional amount to Convera at the Protection Rate. In the second you sell a corresponding Call Option which will oblige you to exchange the Contracted notional amount with) Convera at the Participation Rate should the underlying Spot Rate exceed that level at the expiry time on the Expiry Date.

A Collar always provides you with complete protection at the Protection Rate.

Example of a Collar

A Luxembourgian importer needs to buy USD100,000 in 1 month. The current Spot Rate is 1.2882 and the Forward Exchange Rate is 1.2859.

The importer enters into a Collar with the following terms:

Protection Rate:	1.1600
Participation Rate:	1.2125
Expiry Date:	6 month

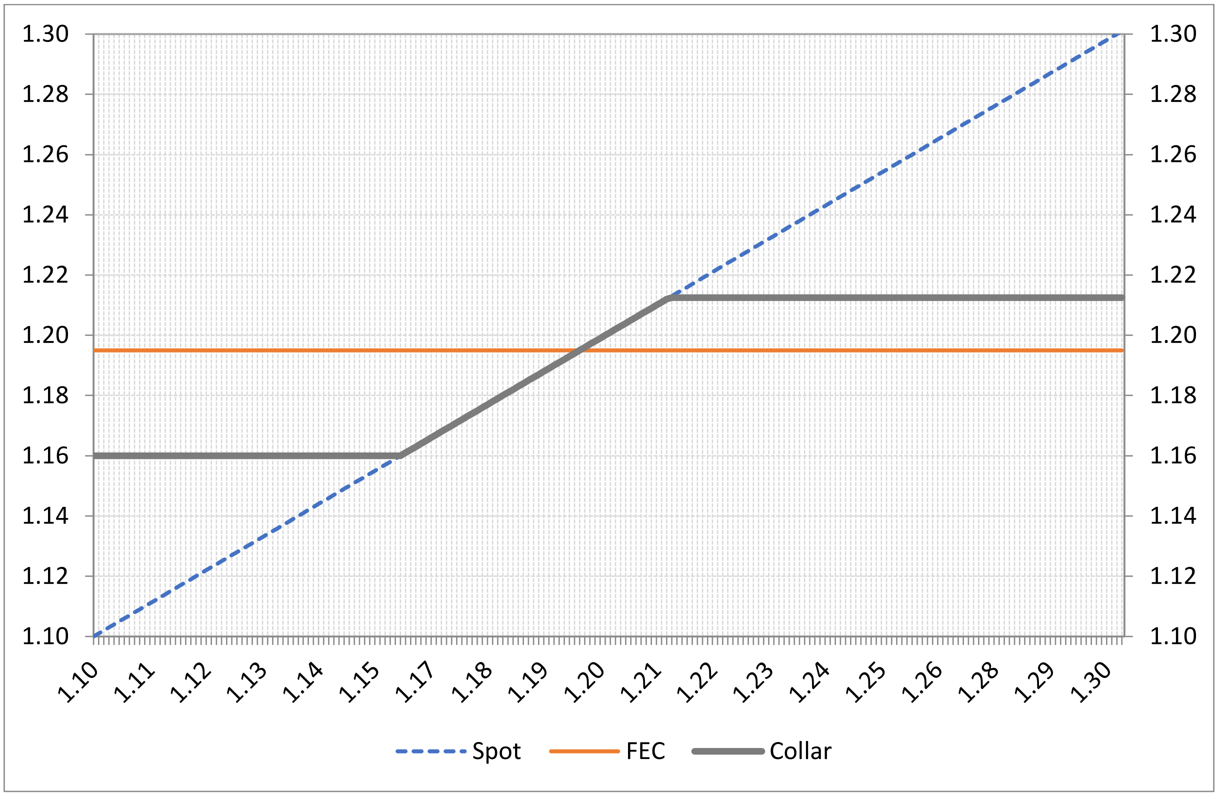
The possible outcomes on expiry are as follows:

- If the EUR/USD Spot Rate is trading below the Protection Rate of 1.1600 at expiry the importer will have the right, but no obligation, to exercise his Put Option to sell EUR and buy USD 100,000 at 1.1600 – his worst case rate.
- If the EUR/USD Spot Rate is trading between the Protection Rate and the Participation Rate the importer will be free to let his option lapse and instead sell EUR and buy USD 100,000 at the prevailing Spot Rate; alternatively the importer may choose to do nothing as there is no obligation on either party.
- If the Spot Rate is above the Participation Rate of 1.2125 at expiry Convera will exercise its Call Option and the importer will be obliged to sell EUR and buy USD 100,000 at 1.2125 – his best case rate.

For a Luxembourgian exporter, the outcomes are essentially the same, except the structure consists of buying a Call at the protection rate (above the market) and selling a Put option at the Participation Rate (below the market).

Note: The examples are indicative only and the rates and other details used are not factual. You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Collar

- Ability to participate in favourable exchange rate movements as far as the Participation Rate.
- Protection at all times at a known worst case exchange rate
- No premium payable

Disadvantages of a Collar

- **Participation in favourable movement is capped at a the best case or Participation rate , meaning you will not be able to benefit should the Spot Rate be higher than that level at the Expiry Time on the Expiry Date.**
- **If the Spot Rate moves significantly higher than the Participation rate prior to the Expiry Date, Convera may require you to make an advance partial prepayment/cash deposit (a Margin Call) to secure your out-of-the-money position.**
- **For more information on Margin Calls please see section 6 below and our terms and conditions of business (Terms and Conditions).**

4.4.1.1 Leveraged Collar

General Product Information

A leveraged collar (**Leveraged Collar**) is a Structured Option which behaves in exactly the same way as the Collar structure above. It allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated worst case rate known as the **Protection Rate**. It also gives you the opportunity to participate in favourable movements in the Spot Exchange Rate between the Protection Rate and a given best case rate known as the **Participation Rate**. However, in order to make the Protection Rate and the Participation Rate more attractive at the outset, you agree that, should the underlying Spot Rate be more favourable than the Participation Rate at expiry, **you will be obliged to deal a larger amount at the Participation Rate - usually twice as much as was protected at the Protection Rate.**

Example of a Leveraged Collar

Using the same example as above, a Luxembourgian importer needs to buy USD100,000 in 6 month. The current Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1859.

The importer enters into a Leveraged Collar with the following terms:

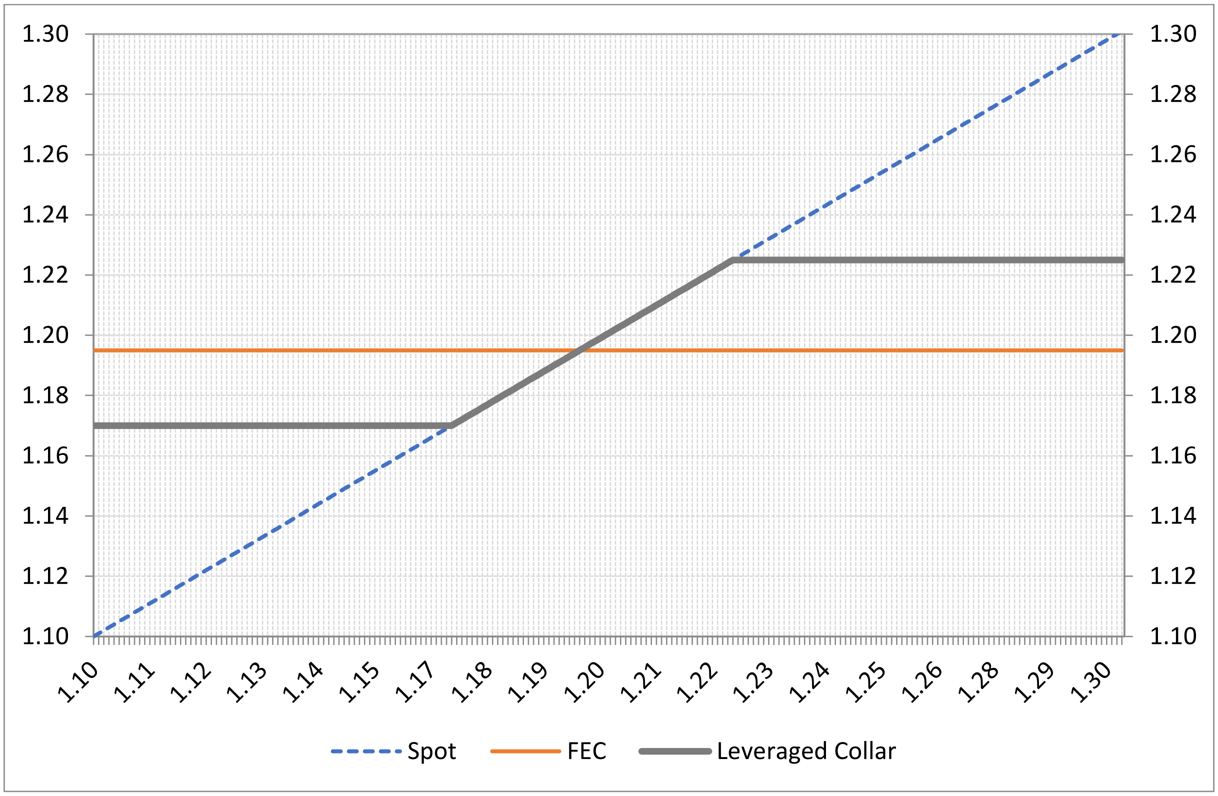
Protected Amount	$100,000
Leveraged Amount	$200,000
Protection Rate:	1.1700
Participation Rate:	1.2250
Expiry Date:	6 month
Leverage:	2:1

The possible outcomes on expiry are as follows:

- If the EUR/USD Spot Rate is trading below the Protection Rate of 1.1700 at expiry the importer will have the right, but no obligation, to exercise his Put Option to sell EUR and buy the Protected Amount of USD 100,000 at 1.1700 – his worst case rate.
- If the EUR/USD Spot Rate is trading between the Protection Rate and the Participation Rate the importer will be free to let his option lapse and instead sell EUR and buy USD 100,000 at the prevailing Spot Rate; alternatively the importer may choose to do nothing as there is no obligation on either party.
- If the Spot Rate is above the Participation Rate of 1.2250 at expiry Convera will exercise its Call Option and the importer will be obliged to sell EUR and buy the Leveraged Amount of **USD 200,000** at 1.2250 – his best case rate.

Again, for a Luxembourgian exporter, the outcomes are essentially the same, except the structure consists of buying a Call at the protection rate (above the market) and selling a Put option at the Participation Rate (below the market).

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Risks of a Leveraged Collar

- **As well as the disadvantages listed above, the leveraged collar does not offer full protection. With a non-leveraged collar if your requirement is $100,000, you hedge $100,000. With the leveraged variety, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.**

4.4.2 Participator

General Product Information

The Participator is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated Foreign Exchange Rate (the **Protection Rate**). It also gives you the ability to participate in favourable movements in the Spot Exchange Rate by allowing you to trade a portion of your exposure at a favourable Spot Rate should such a rate be available at expiry.

How a Participator Works

In order to buy a Participator structured option, you enter into two concurrent trades. In the first you buy a Put Option from Convera giving you the right, but no obligation to sell the full Contracted notional amount of currency at the Protection Rate should the spot price be less favourable than that level at the expiry time on the Expiry Date. This means you have complete protection at a known worst case rate. . In order to make the option structure 'zero cost' you also simultaneously sell a Call Option to Convera which will oblige you to trade a proportion of the Contracted notional value (usually 50%) at the Protection Rate should the Spot Rate be more favourable than that level at the expiry time on the Expiry Date. In this instance you are then free to trade the remainder of the Contracted notional value at the prevailing Spot Rate; so, if you are obliged to trade 50% at the protected rate and trade the rest at spot you have benefited from 50% of the upside. This percentage is also known as the **Participation Percentage**.

Example of a Participator

A Luxembourgian importer needs to buy USD100,000 in 6 months. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1859. The importer needs to outperform his budget rate at 1.1600 but feels the EUR/USD Spot Rate is likely to move in his favour and so wants to be able to benefit from this if he is proven right.

The importer enters into a Participating Forward with the following terms:

Protection Rate:	1.1700
Participation Percentage:	50%
Expiry Date:	6 months

The possible outcomes on expiry are as follows:

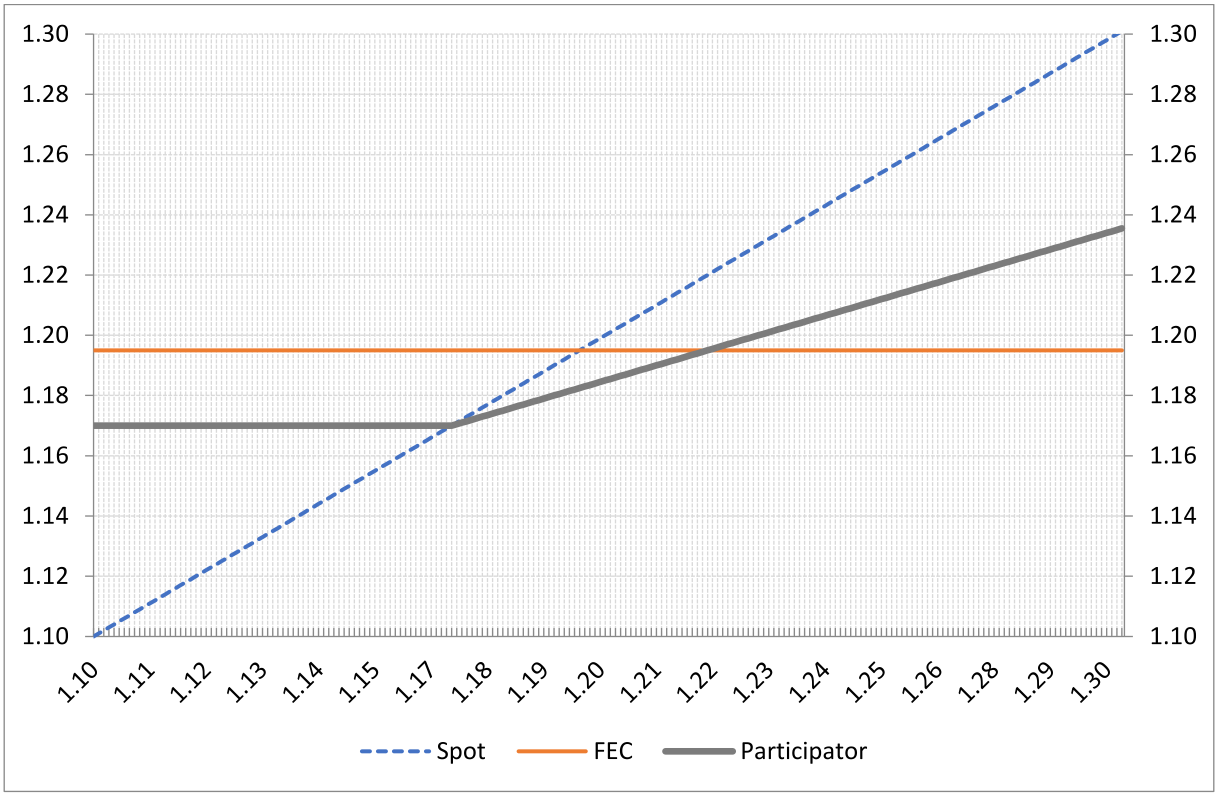
- If the Spot Rate is at or below the Protection Rate of 1.1700 at expiry the importer will have the right, but no obligation to exercise the Put Option to sell EUR and buy USD 100,000 at 1.1700 – his worst case rate.
- If, however, the Spot Rate is above the Protection Rate at expiry Convera will exercise the Call Option and the importer will be obliged to sell EUR and buy USD50,000 at 1.1700 but is then free to trade the other USD50,000 at the more favourable Spot Rate. So, if the EUR/USD rate is trading at 1.2350 at expiry, the importer will trade USD50,000 at 1.1700 and the other USD50,000 at 1.2350 giving a net rate of 1.2025.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the full Contracted notional at the Protection Rate and selling a Put Option for a proportion of the Contracted notional – giving the relevant Participation Percentage.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Participator

- There is the ability to partially participate in favourable exchange rate movements. The 'upside' is effectively unlimited, although the buyer of this option will only benefit at the participation percentage.
- There is protection at all times with a known worst case exchange rate.
- No premium is payable.

Disadvantages of a Participator

- **Part of your exposure must be traded at the Protection Rate at expiry. If the Spot Rate on the Expiry Date is more advantageous than the Protection Rate you will be obliged to trade this proportion at a rate that is less advantageous to you than if you were free to trade the entirety at the prevailing spot price.**
- **If the Spot Rate significantly exceeds the Protection Rate prior to the Expiry Date Convera may make a Margin Call to secure your out-of-the-money position. For more information on margin calls please see Section 6 below and your Terms and Conditions.**

4.4.3 Participating Collar

General Product Information

The Participating Collar is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated Foreign Exchange Rate (the **Protection Rate**). It also gives you the ability to participate in favourable movements in the Spot Exchange Rate on a portion of your exposure up to a pre-determined Participation Rate.

How a Participating Collar Works

A Participating Collar is structured by entering into three concurrent options. In the first you buy a Put Option from Convera giving you the right, but no obligation to sell the Contracted notional amount of currency to Convera at the Protection Rate. In the second you sell a Call Option to Convera which will oblige you to sell a proportion of the Contracted notional value to Convera at the Protection Rate. This Call Option will be for a percentage of the Contracted notional amount of your Put Option - usually 50% - known as the **Participation Percentage**. In the third option, you sell a second Call Option to Convera at the Participation Rate. This third option may oblige you to trade the remainder of the contract (the Contracted notional amount multiplied by the participation percentage) at the Participation Rate if the spot price exceeds that level at the expiry time on the Expiry Date. This third option limits your ability to benefit from favourable movements beyond the Participation Rate, but in exchange for this reduced 'upside' potential, you should be able to achieve a more favourable Protection Rate or higher Participation Percentage.

Example of a Participating Collar

Using the same example as above, where the Luxembourgian importer needs to buy USD100,000 in 6 months. The current EUR/USD Spot Rate is 1.3500 and the Forward Exchange Rate is 1.3475. The importer's budget rate has been revised up to 1.3400 so a normal Participator with a Protection Rate at 1.3200 will no longer hedge his risk. He still feels the rate will move in his favour, but now believes that the potential upside is not as great. He is therefore willing to forego some of his ability to benefit should the Spot Rate climb drastically higher in exchange for a Protection Rate that matches his budget level.

The importer enters into a Participating Collar with the following terms:

Protection Rate:	1.1950
Participation Rate:	1.2400
Participation Percentage:	50%
Expiry Date:	6 months

The possible outcomes on expiry are as follows:

- If the Spot Rate is below the Protection Rate of 1.1950 at expiry the importer will have the right, but no obligation to exercise his Put Option to sell EUR and buy USD100,000 at 1.1950 – his worst case rate.

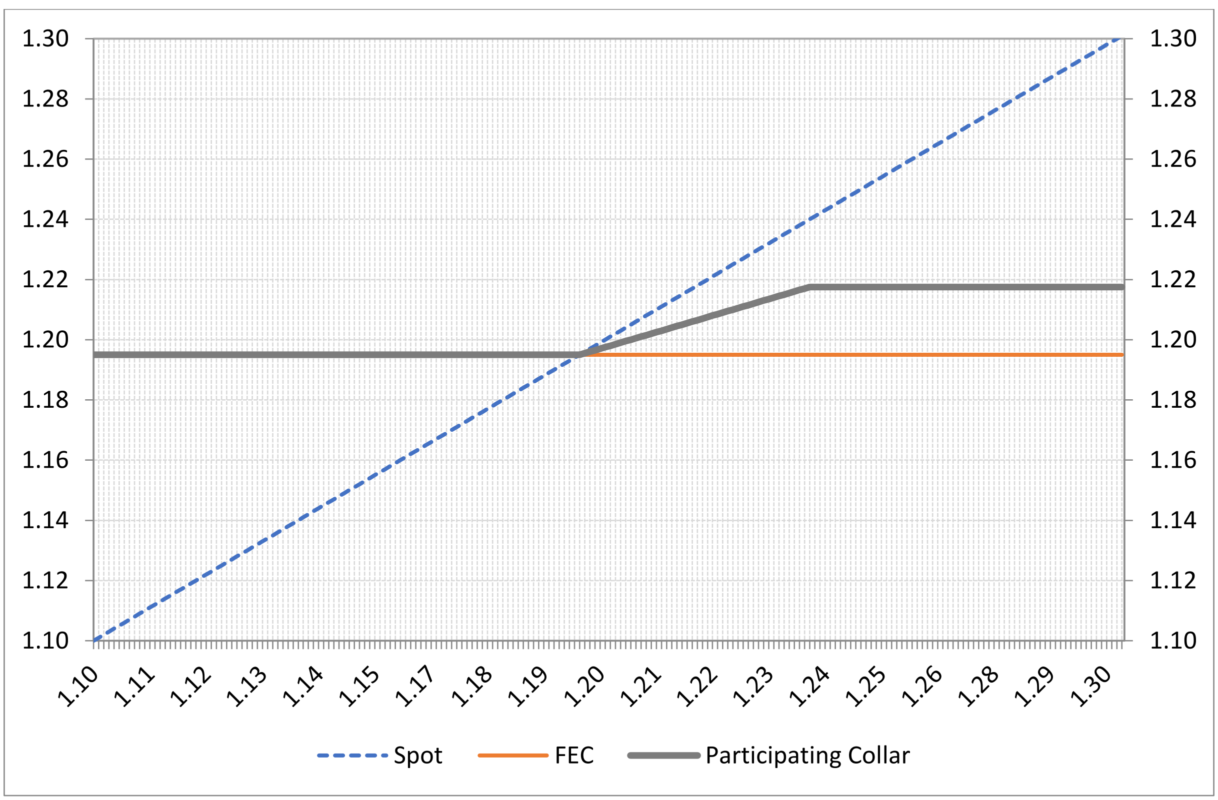
- If the Spot Rate is above the Protection Rate and below the Participation Rate at expiry Convera will exercise its first Call Option and the importer will be obliged to sell EUR and buy USD50,000 at 1.1950. The importer will then be able to buy the remaining USD50,000 at the more favourable Spot Rate giving him 50% participation in the upside.
- If the Spot Rate is also above the Participation Rate at expiry Convera will exercise both the first and second Call Options. The importer will be obliged to sell EUR and buy USD50,000 at 1.1950, and then also buy the remaining USD50,000 at 1.2400 – giving a net rate of 1.2175 to sell EUR and buy USD 100,000 – his best case rate.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the full Contracted amount at the Protection Rate and selling two Put Options for a proportion of the Contracted Amount.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Participating Collar

- This product offers the ability to partially participate in favourable exchange rate movements on the participating portion, up to the Participation Rate.
- There is protection at all times with a known 'worst case' Protection Rate.
- The Protection Rate is more favourable than the rate applicable to a comparable Participator Option .
- No premium is payable.

Disadvantages of a Participating Collar

- **The Protection Rate may be less advantageous than the rate applicable to a comparable Forward Exchange Contract.**
- **Part of your exposure must be traded at the Protection Rate on expiry. If the Spot Rate on the Expiry Date is more advantageous than the Protection Rate you will be obliged to trade this portion at a rate that is less advantageous to you.**
- **If the Spot Rate on expiry is above the Participation Rate you will be obliged to trade half at the Protection rate and half at the Participation Rate – giving a net price between those two levels that is less advantageous to you than if you were free to trade at spot.**
- **If the Spot Rate exceeds the Participation Rate by a sufficient degree prior to the Expiry Date Convera may require you to make a margin call to secure your out-of-the money position. For more information on margin calls please see Section 6 below and your Terms and Conditions.**

4.4.3.1 Leveraged Participating Collar

General Product Information

A **Leveraged Participating** Collar is a Structured Option which behaves in the same way as the Participating Collar structure above. It allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated worst case rate known as the **Protection Rate**. It also gives you the opportunity to participate in favourable movements at the Participation Percentage - in the Spot Exchange Rate between the Protection Rate and a given best case rate known as the **Participation Rate**. However, in order to make the Protection Rate, Participation Percentage and/or the Participation Rate more attractive at the outset, you agree that, should the underlying Spot Rate be more favourable than the Participation Rate at expiry, **you will be obliged to deal a larger Leveraged Amount at the Participation Rate - usually twice as much as was protected at the Protection Rate.**

Example of Leveraged Participating Collar

Using a similar example to the above, a Luxembourgian importer needs to buy USD100,000 in 6 months' time. The current Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1859.

The importer enters into a Leveraged Participating Collar with the following terms:

Protected Amount	\$100,000
Leveraged Amount	\$200,000
Protection Rate:	1.1900

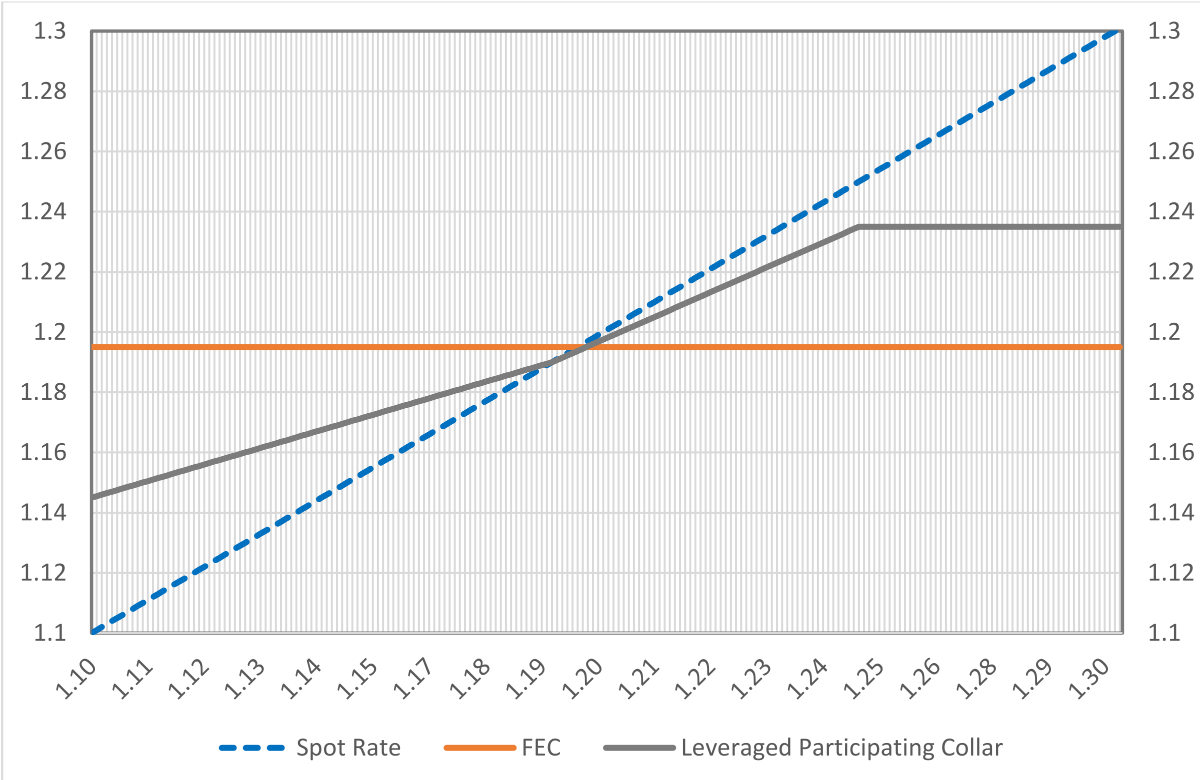
Participation Percentage:	50%
Participation Rate:	1.2500
Expiry Date:	6 months
Leverage:	2:1

The possible outcomes on expiry are as follows:

- If the EURUSD Spot Rate is trading below the Protection Rate of 1.1900 at expiry the importer will have the right, but no obligation, to exercise his Put Option to sell EUR and buy the Protected Amount of USD 100,000 at 1.1900 – his worst case rate.
  - If the EURUSD Spot Rate is trading between the Protection Rate and the Participation Rate the importer will be obligated to sell EUR and buy $50,000 at the Protection Rate and will be free to let his option expire and buy the remaining USD 50,000 at the prevailing Spot Rate. Alternatively the importer may choose to do nothing for this second part of the amount as there is no obligation on either party.
- If the Spot Rate is above the Participation Rate of 1.2500 at expiry Convera will exercise its Call Option and the importer will still be obliged to sell EUR and buy USD 50,000 at the Protection Rate at $1.1900, but will then also be obligated to deal the additional Leveraged Amount of USD 150,000 at 1.2500 This gives him a best-case rate of $1.2350

For a Luxembourgian exporter, the results are essentially the same, except that the structure consists of the purchase of a call option at the protection price (higher than the market price) and the sale of two options. sales respectively to the protection course and the participation course.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Disadvantages of the Leveraged Participating Collar:

- **As well as the disadvantages listed above, the Leveraged Participating Collar does not offer full protection. With a non-leveraged Participating Collar, if your requirement is $100,000, you hedge $100,000. With the leveraged variety, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.**

4.4.4 Knock In

General Product Information

The Knock In is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated Foreign Exchange Rate (the **Protection Rate**) whilst giving you the potential to take advantage of favourable currency movements to a Knock In Rate. If the Spot Rate trades at or above the Knock In Rate at any time before the Expiry Date you will be obliged to trade at the Protection Rate on the Expiry Date.

Please note – this product is sometimes also known as a Forward Extra or Forward Plus.

How a Knock In Works

A Knock In is structured by entering into two concurrent options. In the first you buy a Put Option from Convera which will give you the right, but no obligation to sell the Contracted notional sum to Convera at the

Protection Rate. In the second you sell a Call Option to Convera at the Protection Rate, but with a barrier at the Knock In Rate. This option remains dormant and cannot be exercised against you unless the underlying Spot Rate trades at or beyond the barrier at the Knock In Rate at any point during the life of the contract. If the market does trade at or beyond the Knock In rate, the Call option is activated and, at the expiry time on the Expiry Date, you will be obliged to sell the Contracted notional value to Convera at the Protected Rate.

Example of a Knock In

A Luxembourgian importer needs to buy USD100,000 in 6 months. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer has a budget rate at 1.1750 and can't afford for the rate to slip below that level. However, market opinion is that the EUR/USD Spot Rate should recover back above 1.2000 so the importer is reluctant to limit his ability to benefit should this happen.

The importer therefore enters into a Knock In Option with the following terms:

Protection Rate	1.1850
Knock In Rate	1.2400
Expiry Date	6 months
Knock In Rate Observed	Constantly

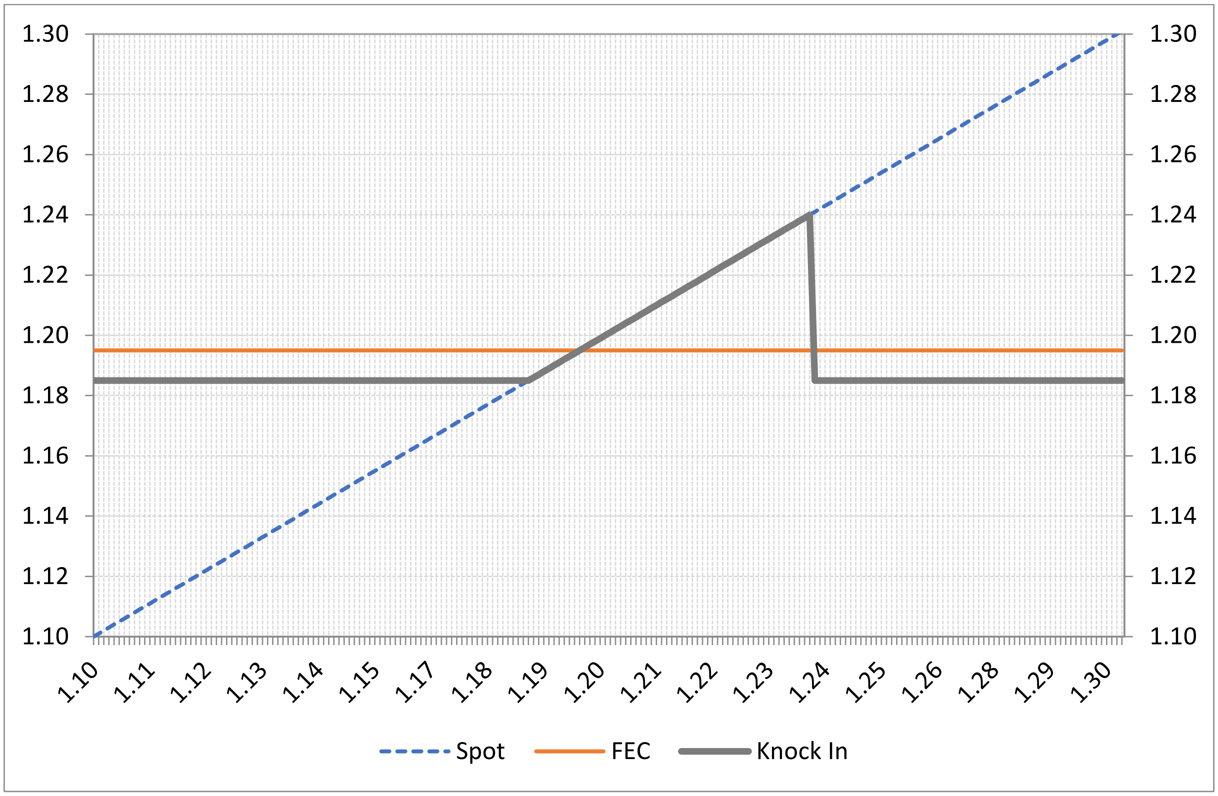
The possible outcomes on expiry are as follows:

- If the EUR/USD Spot Rate is trading below the Protection Rate at 1.1850, the importer will have the right, but no obligation to sell EUR and buy USD 100,000 at 1.1850 – his worst case rate.
- If the EUR/USD Spot Rate is above 1.1850 and has not traded at or beyond the Knock In Rate at 1.2400 at any time during the life of the contract, the importer will be free to let his option lapse and instead trade at the prevailing Spot Rate, which could theoretically, be as high as 1.2399.
- If the EUR/USD Spot Rate has traded at or above 1.2400 at any time during the life of the contract the barrier at the Knock In rate will be activated and Convera will exercise its call option, obliging the client to sell EUR and buy USD 100,000 at the Protection rate of 1.1850 – the worst case rate.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the Contracted amount at the Protection Rate and selling a Put Option for the same amount at the Protection Rate with a barrier at the Knock In Rate.

Note: The examples are indicative only and the rates and other details used are not factual. You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Knock In

- Ability to participate 100% in favourable exchange rate movements as far as the Knock In Rate.
- Protection at all time with a known worst case rate
- No premium payable.

Disadvantages of a Knock In

- **The Protection rate is less advantageous than the comparable Forward Exchange Rate would have been at the time of entering the contract.**
- **If the barrier at the Knock In Rate is observed during the life of the contract and the rate remains higher than the Protection Rate at the Expiry Date you will be obliged to trade at the Protection Rate which may seem much less favourable than the prevailing Spot Rate at that time.**
- **If the Knock In Rate is observed and the Spot Rate continues to exceed the Protection Rate prior to the Expiry Date Convera may require you to make a margin call to secure your out-of-the money position. For more information on margin calls please see Section 6 below and your Terms and Conditions.**

4.4.4.1 Knock In – Window

The Knock In – Window differs from the standard Knock In by having the barrier only observed during a specified observation period or window. This is often, but not necessarily always, the month before expiry. The barrier is only live during this period so the market can exceed the barrier level outside the window period with no effect on the option. In exchange for having a reduced observation period, the protection rate and / or barrier level may be less favourable than with a standard Knock In.

4.4.4.2 Knock In – At Expiry

The Knock In – At Expiry differs from the standard Knock In by having the barrier only observed on expiry. This means that the market can exceed the barrier level at any point up to, but not including, the point of expiry with no effect on the option. In exchange for having the barrier only observed at the point of expiry, the protection rate and / or barrier level will be less favourable than with a standard Knock In and the Knock In - Window.

4.4.4.3 Leveraged Knock In

General Product Information

A Leveraged Knock In works in much the same way as the standard Knock In product. It provides a guaranteed worst case rate at which to deal the Protected Amount and allows participation up to a specified knock in level. However, in order to make the Protection Rate and/or the Knock In Rate more advantageous at the outset, the buyer agrees that, should the Knock In Rate be observed at any point during the life of the contract, he or she will be obliged to deal the Leveraged Amount at the Protection Rate on the Expiry Date. The Leveraged Amount is typically twice as much as the Protected Amount, but can be a lower multiple. The buyer can also specify whether they would like a Window barrier or an At Expiry barrier as with the non-leveraged variant.

Example of a Leveraged Knock In

A Luxembourgian importer needs to buy USD100,000 in 6 months. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer has a budget rate at 1.1850 and is not willing to lock into a rate below that level meaning a standard Knock In is not attractive. Furthermore, market opinion is that the EUR/USD Spot Rate should recover back above 1.2000 so the importer is also reluctant to limit his ability to benefit should this happen by buying a forward contact at current levels.

The importer therefore enters into a Leveraged Knock In Option with the following terms:

Protected Amount	$50,000
Leveraged Amount	$100,000
Protection Rate	1.2000
Knock In Rate	1.2500

Expiry Date 6 months

Knock In Rate Observed Constantly

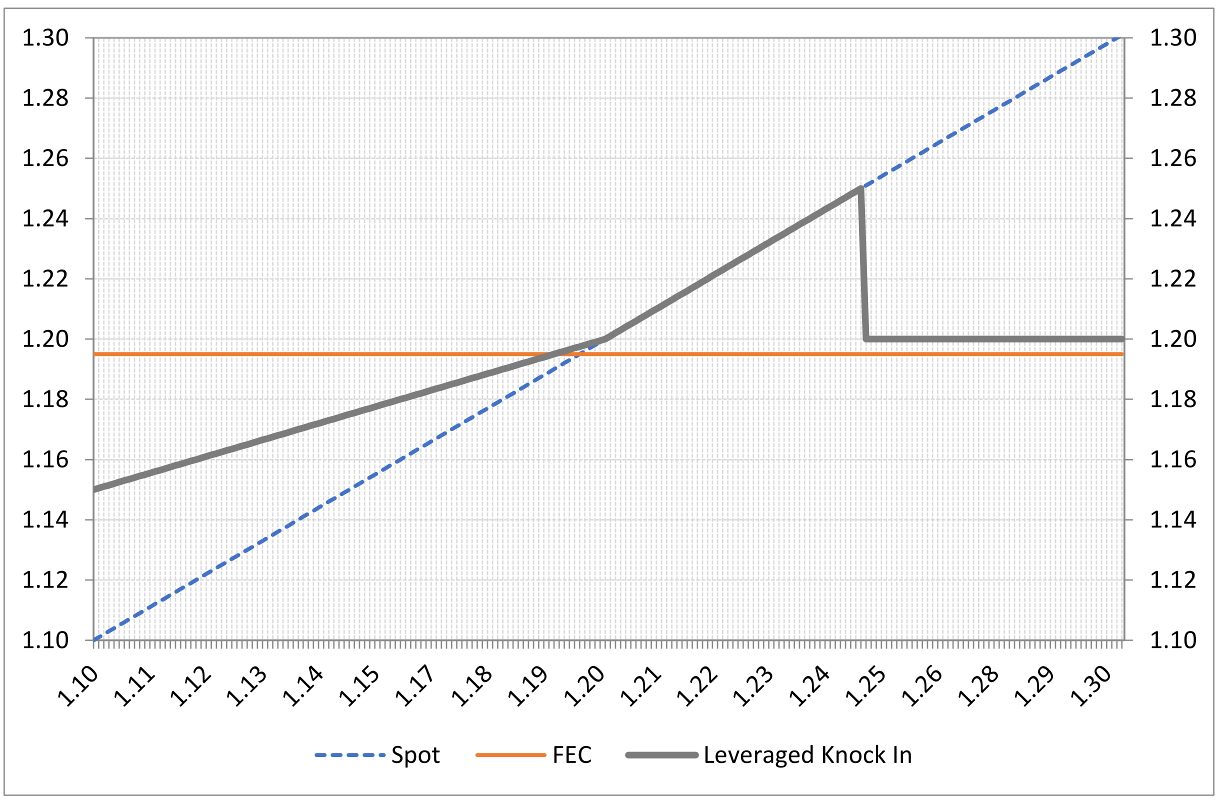
The possible outcomes on expiry are as follows:

- If the EUR/USD Spot Rate is trading below the Protection Rate at 1.2000, the importer will have the right, but no obligation to sell EUR and buy the Protected Amount of USD 50,000 at 1.2000. Any remaining requirement will need to be covered in the spot market.

- If the EUR/USD Spot Rate is above 1.2000 and has not traded at or beyond the Knock In Rate at 1.2500 at any time during the life of the contract, the importer will be free to let his option lapse and instead trade at the prevailing Spot Rate, which could theoretically, be as high as 1.2499.

- If the EUR/USD Spot Rate has traded at or above 1.2500 <u>at any time</u> during the life of the contract the barrier at the Knock In rate will be activated and Convera will exercise its call option, obliging the client to sell EUR and buy the **Leveraged Amount** of USD 100,000 at the Protection rate of 1.2000.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Disadvantages of the Leveraged Knock In

- **As well as the disadvantages listed above, the leveraged knock in does not offer full protection. With a non-leveraged knock in, if your requirement is $100,000, you hedge**

$100,000. With the leveraged variety, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.

4.4.5 Knock In - Collar

General Product Information

The Knock In Collar is a Structured Option which allows the buyer to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated **Protection Rate** whilst retaining the potential to take advantage of favourable currency movements as far as a specified Knock In Rate. If the underlying spot price trades at or beyond the Knock In Rate at any time during the life of the contract the buyer will be knocked into a collar structure.

How a Knock In- Collar Works

A Knock In - Collar is structured by entering into two concurrent options. In the first you buy a Put Option giving you the right, but no obligation to sell the Contracted notional amount to Convera at the Protection Rate. In the second you sell a Call Option to Convera at the Participation Rate with a barrier at a given Knock In Rate. This option remains dormant and cannot be exercised against you unless the underlying Spot Rate trades at or beyond the Knock In Rate during the life of the contract. If the market does trade at or beyond the Knock In rate, the Call option is activated and if, at the expiry time on the Expiry Date, the Spot Rate remains more favourable than the Participation Rate you will be obliged to sell the Contracted notional value of the contract to Convera at the Participation Rate limiting your ability to benefit from favourable moves above that level.

Example of a Knock In- Collar

A Luxembourgian importer needs to buy USD 100,000 in 3 months. The current EUR/USD Spot Rate is 1.3500 and the Forward Exchange Rate is 1.3475. The importer's budget rate is at 1.3400, but the importer expects the rate to improve slowly over the coming months. He would therefore like to be able to take advantage of that, He is, however, concerned that if the EUR/USD continued to rise, he would not want to be knocked in to an obligation to trade at the Protection Rate.

The importer enters into a Knock In Collar with the following terms

Protection Rate	1.1800
Knock In Rate	1.2400
Participation Rate	1.1950
Expiry Date	3 months

Knock In Rate observed	Constantly

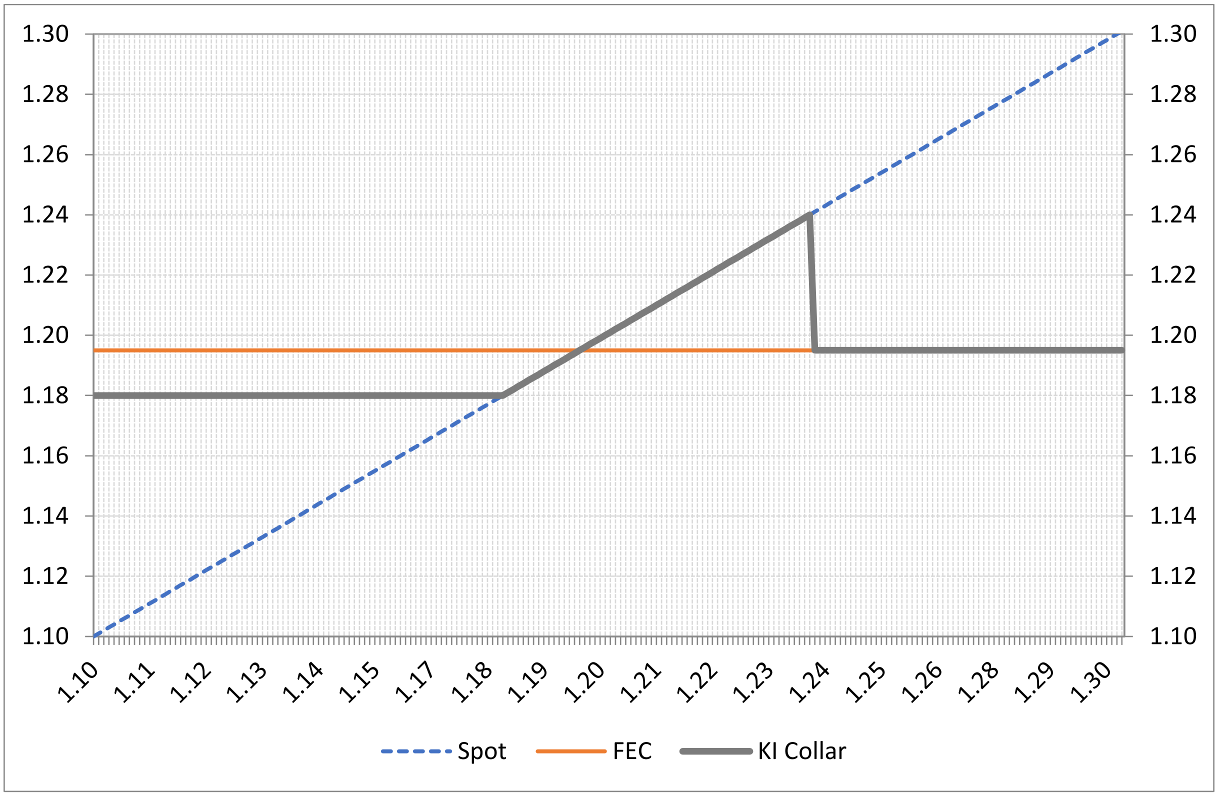
The possible outcomes on expiry are as follows:

- Regardless of any other eventualities, if the EUR/USD Spot Rate is trading below the Protection Rate at 1.1800 the importer has the right, but no obligation to sell EUR and buy USD 100,000 at 1.1800 – his worst case rate.
- If the EUR/USD Spot Rate is trading at or above the Protection Rate at 1.1800 and has not traded at or beyond the Knock In Rate at 1.2400 at any point during the life of the contract the importer will be free to let the option lapse and instead trade at the prevailing Spot Rate, which could theoretically be as high as 1.2399.
- If the EUR/USD Spot Rate has traded above 1.2400 and the Knock In Rate has been observed, if the rate remains above the Participation Rate at 1.1950 at Expiry, the importer will be obliged to sell EUR and buy USD 100,000 at 1.2399.
- If the Knock In Rate has been observed, but the Spot Rate subsequently falls back below the Participation Rate at 1.1950, the importer will be under no obligation to trade and may buy his dollars at the prevailing spot price should he choose to do so.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the Contracted amount at the Protection Rate and selling a Put Option for the same amount at the Participation Rate with a barrier at the Knock In Rate.

Note: The examples are indicative only and the rates and other details used are not factual. You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Knock In- Collar

- Ability to participate in favourable exchange rate movements as far as the Knock In Rate. When the Knock In rate has been traded participation is still possible up to the Participation Rate.
- Protection at all time with a known worst case rate.
- No premium payable.

Disadvantages of a Knock In- Collar

- **The Protection Rate on this product type is typically less advantageous than the comparable Forward Exchange Contract.**
- **Participation in favourable movements is capped at the Knock In Rate and then subsequently at the Participation Rate. If the underlying Spot Rate continues to improve you will be left with an obligation to trade at a rate that may seem much less advantageous than the market rate on that day.**
- **If the Knock In Rate trades during the term and the Spot Rate continues to exceed the Participation Rate prior to the Expiry Date Convera may make a Margin Call to secure your out-of-the money position. For more information on Margin Calls please see Section 6 below and our Terms and Conditions.**

4.4.5.1 Knock In Collar – Window

The Knock In Collar – Window differs from the standard Knock In Collar by having the barrier only observed during a specified observation period or window. This is often, but not necessarily, the month before expiry. The barrier is only observed during this period so the market can exceed the barrier level outside the window period with no effect on the option. In exchange for this reduced observation period, the protection rate, participation rate and / or barrier level may be less favourable than with a standard Knock In Collar.

4.4.5.2 Knock In Collar – At Expiry

The Knock In Collar – At Expiry differs from the standard Knock In Collar by having the barrier only observed on expiry. This means the market can exceed the barrier level at any point up to, but not including, the point of expiry with no effect on the option. In exchange for having the barrier only observed at the point of expiry, the protection rate, participation rate and / or barrier level may be less favourable than with a standard Knock In Collar.

4.4.5.3 Leveraged Knock In Collar

The Leveraged Knock In Collar works in the same way as a non-leveraged Knock In Option . It is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated foreign exchange rate (the **Protection Rate**). It also gives you the ability to participate in favourable movements in the Spot Exchange Rate provided that a Knock In Rate is not observed during the term of the structure (or during any observation period/ at expiry). If the Knock In Rate is observed, you will be obliged to deal **the Leveraged Amount** at the Participation Rate on the Expiry Date if the underlying Spot Rate remains more favourable than that level. If the Spot Rate is between the Protection Rate and the Participation Rate, you will be free to deal at spot and if the Spot Rate is below the Protection Rate you are still protected, but only for the Protection Amount at that rate. Note: the leveraged amount only applies to the Participation Rate.

Example of a Leveraged Knock In Collar

A Luxembourgian importer needs to buy USD 100,000 in 6 months. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer's budget rate is at 1.1700 and he is reluctant to lock in a rate below that level as he also expects the rate to improve slowly over the coming months. He would therefore like to be able to take advantage of such a move. He is, however, concerned that if the EUR/USD continued to rise, he would not want to be knocked in to an obligation to trade at the Protection Rate as he would ideally like to achieve a net rate over 1.2000.

The importer enters into a Knock In Collar with the following terms

Protected Amount	$50,000
Leveraged Amount	$100,000
Protection Rate	1.1900

Knock In Rate	1.2500
Participation Rate	1.2100
Expiry Date	6 months
Knock In Rate observed	Constantly

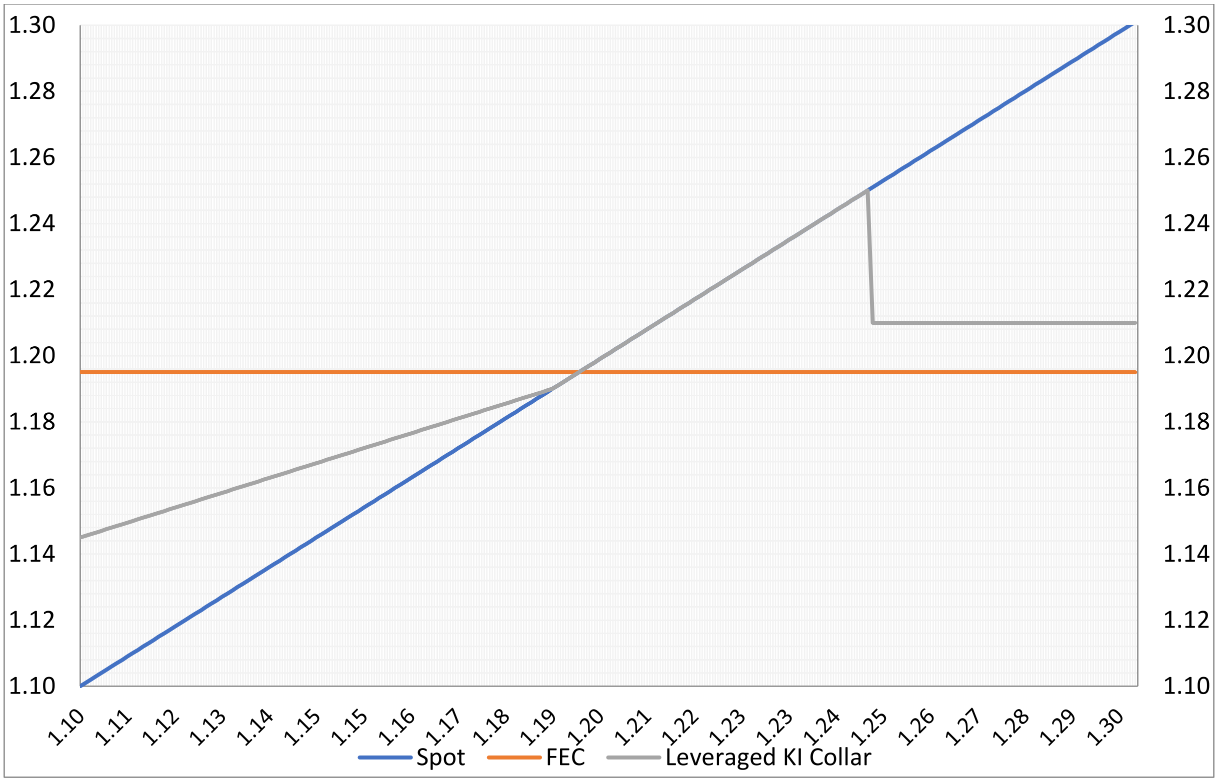
The possible outcomes on expiry are as follows:

- Regardless of any other eventualities, if the EUR/USD Spot Rate is trading below the Protection Rate at 1.1900 the importer has the right, but no obligation to sell EUR and buy USD 50,000 at 1.1900 – in line with his budget rate. He would need to buy any remaining requirement in the spot market.

- If the EUR/USD Spot Rate is trading at or above the Protection Rate at 1.1900 and has not traded at or beyond the Knock In Rate at 1.2500 at any point during the life of the contract the importer will be free to let the option lapse and instead trade at the prevailing Spot Rate, which could theoretically be as high as 1.2499.

- If the EUR/USD Spot Rate has traded above 1.2500 and the Knock In Rate has been observed, if the rate remains above the Participation Rate at 1.2100, the importer will be obliged to sell EUR and buy **the leveraged amount** of USD 100,000 at 1.2100.
- If the Knock In Rate has been observed, but the Spot Rate subsequently falls back below the Participation Rate at 1.2100, the importer will be under no obligation to trade and may buy his dollars at the prevailing spot price should he choose to do so. He nonetheless, retains the right to deal the Protected Amount at the Protection Rate.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Disadvantages of the Leveraged Knock In Collar

- **As well as the disadvantages listed above, the leveraged knock in collar does not offer full protection. With a non-leveraged Knock In Collar, if your requirement is $100,000, you hedge $100,000. With a Leveraged Knock In Collar, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.**

4.4.6 Knock In Improver

General Product Information

The Knock In Improver is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated Foreign Exchange Rate (the **Protection Rate**) whilst giving you the potential to take advantage of favourable currency movements to a Knock In Rate. As with the standard Knock In Option, if the Spot Rate trades at or above the Knock In Rate at any time before the Expiry Date and remains more favourable than the Protection rate at the Expiry Time, you will be obliged to trade at the Protection Rate. If, at the Expiry Time, the reference spot rate is less favourable than the Protection Rate, but is not also trading at or beyond the Knock Out Rate, the difference between the spot reference and the Protection Rate will be calculated and added to the Protection Rate giving you an

Improved Rate at which to deal the notional amount.

How a Knock In - Improver Works

A Knock In Improver is structured by entering into three concurrent options. In the first you buy a Put Option from Convera which will give you the right, but no obligation to sell the Contracted notional sum to Convera at the Protection Rate. In the second you sell a Call Option to Convera at the Protection Rate, but with a barrier at the Knock In Rate. This option remains dormant and cannot be exercised against you unless the underlying Spot Rate trades at or beyond the barrier at the Knock In Rate at any point during the life of the contract. If the market does trade at or beyond the Knock In rate, the Call option is activated and, at the expiry time on the Expiry Date, you will be obliged to sell the Contracted notional value to Convera at the Protected Rate. Finally, you also buy another Put option at the Protection rate with a barrier at the Knock Out Rate. Although this could be delivered -ie you send the notional sold amount and we exchange at the Protection Rate, the strategy envisages closing out of any resulting position at expiry and realising a gain denominated in your desired currency. When added to the proceeds of the first put option, the effect is an improved rate – ie more currency for the same EUR notional Amount.

Example of a Knock In – Improver

A Luxembourgian importer needs to convert €100,000 per month to US dollars for the next 6 months. The current EURUSD Spot Rate is 1.5882 and the equivalent Forward Exchange Rate is 1.5849. The importer has a budget rate of 1.5750. The importer is unsure on the direction of the market and current levels are in the middle of the recent range; however, as the rate is close to his budget, he needs to hedge. He expects volatility to remain low and has no strong view on direction but would like to benefit whichever way the market moves.

The importer enters into a Knock In Improver with the following terms:

Protection Rate	1.1850
Knock In Rate	1.2300 (constantly observed)
Knock Out Rate	1.1500 (Observed at Expiry Only*)
Expiry Dates	Monthly – 6 Months
Notional Amount	$100,000 per month

Examples of the possible outcomes at each expiry are as follows:

- EURUSD is trading above 1.1850 and the barrier at 1.2300 has not been observed during the life of the contract. In this scenario, the option expires worthless and the importer Is free to deal as much or as little as desired at the prevailing spot rate.
- EURUSD has traded at or above 1.2300 during the contract term and remains above 1.1500 – in this case, the Importer will be obligated to deal €100,000 at $1.1850.
- EURUSD is trading below 1.1850, but above 1.1500. In this case, the importer will exercise his right to sell EUR 100,000 and buy USD at 1.1850 – achieving $118,500. Furthermore, he will

also exercise the Knock-Out leg. Rather than delivering another €100,000 and receiving the full amount of USD, the position at 1.1850 is sold back to the market at the prevailing spot rate, which results in further positive USD cash flow as follows:

•

Spot Rate	Outcome	Benefit to Buyer
1.205	Expired Worthless	$ -
1.195	Expired Worthless	$ -
1.185	Expired Worthless	$ -
1.175	Exercised	$ 1,000
1.165	Exercised	$ 2,000
1.155	Exercised	$ 3,000
1.145	Knocked Out	$ -
1.135	Knocked Out	$ -
1.125	Knocked Out	$ -
1.115	Knocked Out	$ -

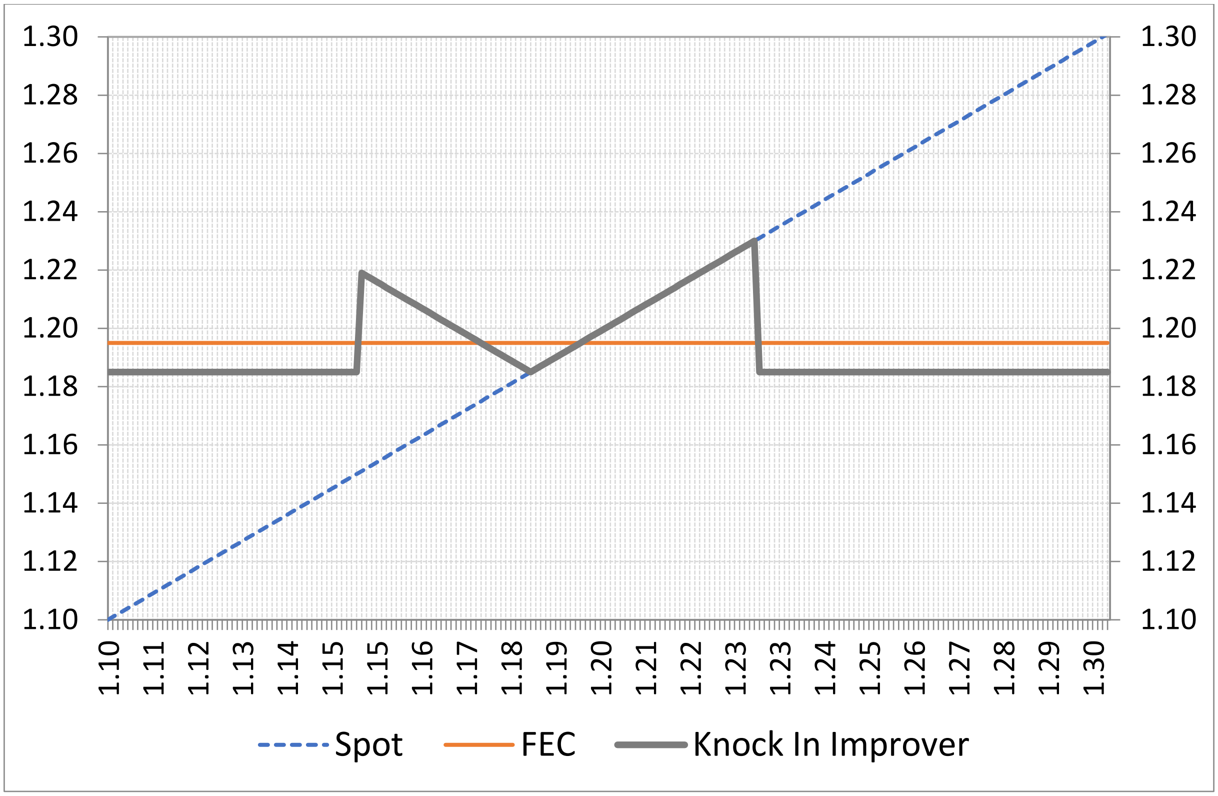
This amount is added to his $118,500 to give an improved outcome equivalent to the amount that the spot rate finishes below the Protection Rate. So, if spot is 1.1550, he bought $118,500 for €100,000, but repaying the €100,000 only costs $115,500, leaving a gain of $3,000. This is then added to $118,500 to give $121,500 – or a net rate of 1.2150.

- If EURUSD is trading below the Knock-Out rate of 1.1500, the KO leg is cancelled and there is no additional beneficial cash flow. As a result, the importer deals his €100,000 at the Protection Rate of 1.1850.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Knock In Improver

- Ability to achieve an improved exchange rate even if the market moves unfavourably.
- Protection relatively close to the forward rate and 100% upside participation to the knock in barrier.
- Guaranteed protection at the Protection Rate on 100% of the exposure.
- No premium payable.

Disadvantages of a Knock In Improver

- **Protection Rate and/or Knock In rate will be less favourable than a standard knock in option.**
- **If market moves above knock in or below knock out the buyer receives a rate less favourable than an equivalent Forward Contract.**
- **If the barrier at the Knock In Rate is triggered and the rate remains higher at the Expiry Date you will be obliged to trade at the Protection Rate which may seem much less favourable than the prevailing spot rate at that time**
- **If the Knock In Rate is observed and the Spot Rate continues to exceed the Protection Rate prior to the Expiry Date Convera may require you to make a Margin Call to secure your out-of-the money position. For more information on Margin Calls please see section 6 below and please also refer to our Terms and Conditions.**

4.4.6.1 Knock In Improver – Window

The Knock In Improver – Window differs from the standard Knock In Improver by having the Knock In barrier only observed during a specified observation period or window. This is often, but not necessarily always, the month before expiry. The barrier is only live during this period so the market can exceed the barrier level outside the window period with no effect on the option. In exchange for having a reduced observation period, the protection rate and / or barrier level may be less favourable than with a standard Knock In. The Knock Out Barrier that determines whether there will be any improvement at expiry will usually only ever be 'live' at the expiry time on the expiry date, but this can be varied to also be live during the same Window period at your request.

4.4.6.2 Knock In Improver – At Expiry

The Knock In Improver – At Expiry differs from the standard Knock In Improver by having the Knock In barrier only observed at the Expiry Time on the Expiry Date. This means that the market can exceed the barrier level at any point up to, but not including, the point of expiry with no effect on the option. In exchange for having the barrier only observed at the point of expiry, the protection rate and / or barrier level will be less favourable than with a standard Knock In and the Knock In - Window. The Knock Out barrier will also only be live at Expiry.

4.4.6.3 Leveraged Knock In Improver

General Product Information

A Leveraged Knock In Improver works in much the same way as the standard Knock In Improver Option. It provides a guaranteed worst-case rate at which to deal the Protected Amount and allows participation up to a specified knock in level, with the same Improver element if the Spot Rate is less favourable than the Protection Rate at Expiry, but not beyond the Knock Out Rate. However, in order to make the Protection Rate and/or the Knock In/ Knock Out Rate(s) more advantageous at the outset, the buyer agrees that, should the Knock In Rate be observed at any point during the life of the contract, he or she will be obliged to deal the Leveraged Amount at the Protection Rate on the Expiry Date. The Leveraged Amount is typically twice as much as the Protected Amount but can be a lower multiple. The buyer can also specify whether they would like a Window barrier or an At Expiry barrier as with the non-leveraged variant.

Example of a Leveraged Knock In Improver

A Luxembourgian importer needs to convert at least EUR 100,000 per month to US dollars for the next 6 months and may need up to €200,000 a month. The current EURUSD Spot Rate is 1.8882 and the Forward Exchange Rate is 1.1849. The importer has a budget rate at 1.2100 and is not willing to lock into a rate below that level meaning a standard Knock In Improver is not attractive. Furthermore, market opinion is that the EURUSD Spot Rate should recover back above 1.2000 so, although the importer does not hold a strong view on direction, he is reluctant to limit his ability to benefit should this happen by buying a forward contact at current levels.

The importer therefore enters into a Leveraged Knock In Improver Option with the following terms:

Protected Amount € 100,000

Leveraged Amount € 200,000

Protection Rate 1.2000

Knock In Rate 1.2400

Knock Out Rate 1.1400

Expiry Date 6 months

Knock In Rate Observed Constantly

Knock Out Rate Observed At Expiry

The possible outcomes on expiry are as follows:

- EURUSD is trading above $1.2000 and the barrier at $1.2400 has not been observed during the life of the contract. In this scenario, the option expires worthless sand the importer Is free to deal as much or as little as desired at the prevailing spot rate.

- EURUSD has traded at or above $1.2400 during the contract term and remains above $1.2000 – in this case, the Importer will be obligated to deal the leveraged amount of €200,000 @ $1.2000.

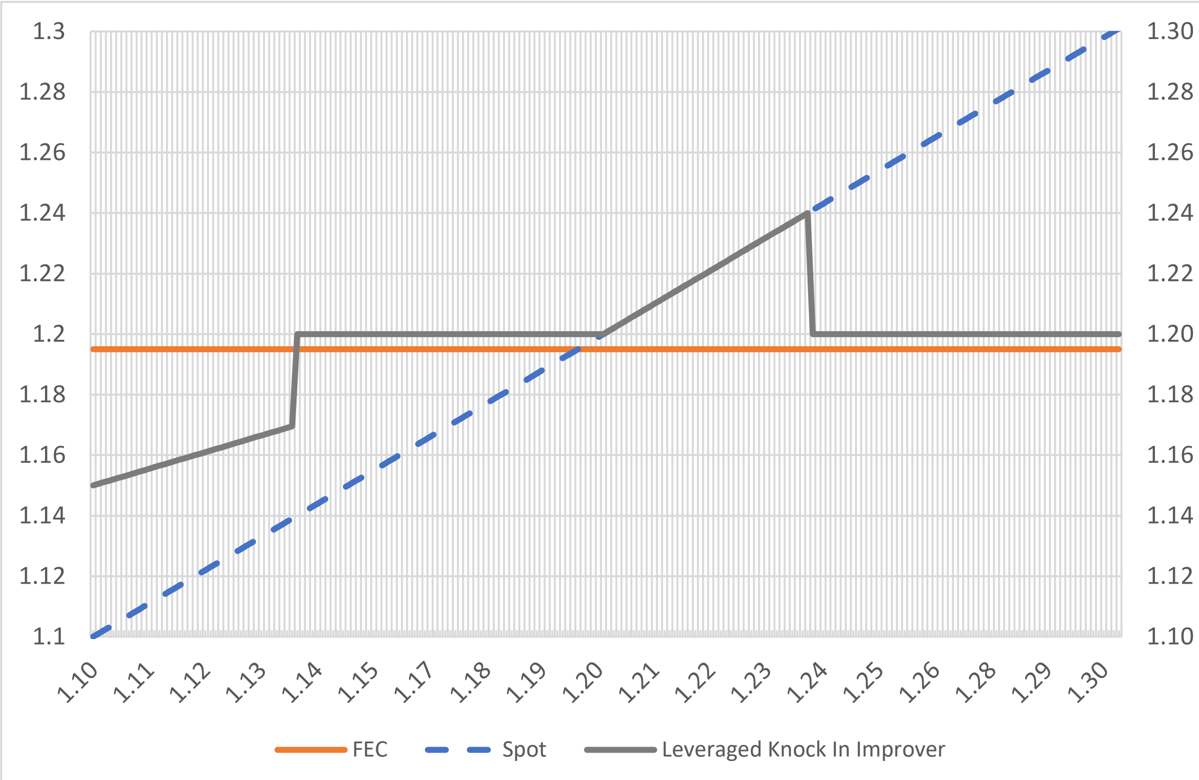
- EURUSD is trading below $1.2000, but above $1.1400. In this case, the importer will exercise his right to sell EUR 100,000 and buy USD at $1.2000 – achieving $120,000. Furthermore, he will also exercise the Knock Out leg. Rather than delivering another EUR 100,000 and receiving USD, this second position at $1.2000 is sold back to the market at the prevailing spot rate, which results in further positive USD cash flow as follows:

Spot Rate	**Outcome**	**Benefit to Buyer**
1.2200	Expired Worthless	$ -
1.2100	Expired Worthless	$ -
1.2000	Exercised	$ -
1.1900	Exercised	$ 1,000
1.1800	Exercised	$ 2,000
1.1700	Exercised	$ 3,000
1.1600	Knocked Out	$ 4,000
1.1500	Knocked Out	$ 5,000
1.1400	Knocked Out	$ -
1.1300	Knocked Out	$ -

This amount is added to his $120,000 to give an improved outcome equivalent to the amount that the spot rate finishes below the Protection Rate. So, if spot is $1.1500, he bought $120,000 for €100,000, but repaying the €100,000 only costs $115,000, leaving a gain of $5,000. This is then added to $120,000 to give $125,000 – or a net rate of $1.2500.

- If EURUSD is trading below the Knock Out rate of $1.1400, the KO leg is cancelled and there is no additional beneficial cash flow. As a result, the importer deals his €100,000 at the Protection Rate of $1.2000.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Disadvantages of the Leveraged Knock In Improver

- **As well as the disadvantages listed in section 4.9.3.6 above, the Leveraged Knock In Improver does not offer full protection. With a non-Leveraged Knock In Improver, if your requirement is $100,000, you hedge $100,000. With the leveraged variety, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.**
- **When dealing a leveraged option, you are amplifying your exposure to market movements either through being obligated to deal the larger amount should markets move favourably, or having less cover in place if the market moves against you. As such, you should ensure you have considered these risks before trading.**

4.4.7 Knock In Reset

General Product Information

The Knock In Reset is a Structured Option which allows the buyer to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated Protection Rate whilst retaining the potential to take advantage of favourable currency movements as far as a specified Knock In Rate. If the underlying Spot Rate trades at or beyond the Knock In Rate at any time during the life of the contract, the buyer will be knocked into a fixed Reset Rate.

How a Knock In- Reset Works

A Knock In - Reset is structured by entering into three concurrent options. In the first you buy a Put Option giving you the right, but not the obligation to sell the Contracted notional amount to Convera at the Protection Rate. In the second and third you buy a further Put option and also sell a Call Option to Convera at the Reset Rate with a barrier at a given Knock In Rate. These options remain dormant and cannot be exercised /exercised against you unless the underlying Spot Rate trades at or beyond the Knock In Rate during the life of the contract. If and when this happens, the original Put option at the Protection Rate ceases to exist and you are left with either the right to deal if the Spot Rate is less favourable or the obligation to deal if the Spot Rate is more favourable than the Reset Rate at the expiry time on the Expiry Date. This means that, once the Knock In Rate is observed you effectively have a forward contract at the Reset Rate and are protected at that level, but with no opportunity to participate in further favourable moves.

Example of a Knock In- Reset

A Luxembourgian importer needs to buy USD 100,000 in 6 months. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer’s budget rate is at 1.1500 but the importer expects the rate to improve slowly over the coming months. He would therefore like to be able to take advantage of that, He is, however, concerned that if the EUR/USD continued to rise, he would not want to be knocked in to an obligation to trade at the Protection Rate.

The importer enters into a Knock In Reset with the following terms:

Protection Rate	1.1500
Knock In Rate	1.2400
Reset Rate	1.2000
Expiry Date	6 months
Knock In Rate observed	Constantly

The possible outcomes on expiry are as follows:

- If the EUR/USD Spot Rate is trading below the Protection Rate at 1.1500 and has not traded at or beyond the Knock In Rate at 1.2400 the importer has the right, but no obligation to sell EUR and buy USD 100,000 at 1.1500 – his worst case rate.
- If the EUR/USD Spot Rate is trading at or above the Protection Rate at 1.1500 and has not traded at or beyond the Knock In Rate at 1.2400 at any point during the life of the contract the importer will be free to let the option lapse and instead trade at the prevailing Spot Rate, which could theoretically be as high as 1.2399.
- If the EUR/USD Spot Rate has traded at or above 1.2400, protection at 1.1500 ceases to exist and

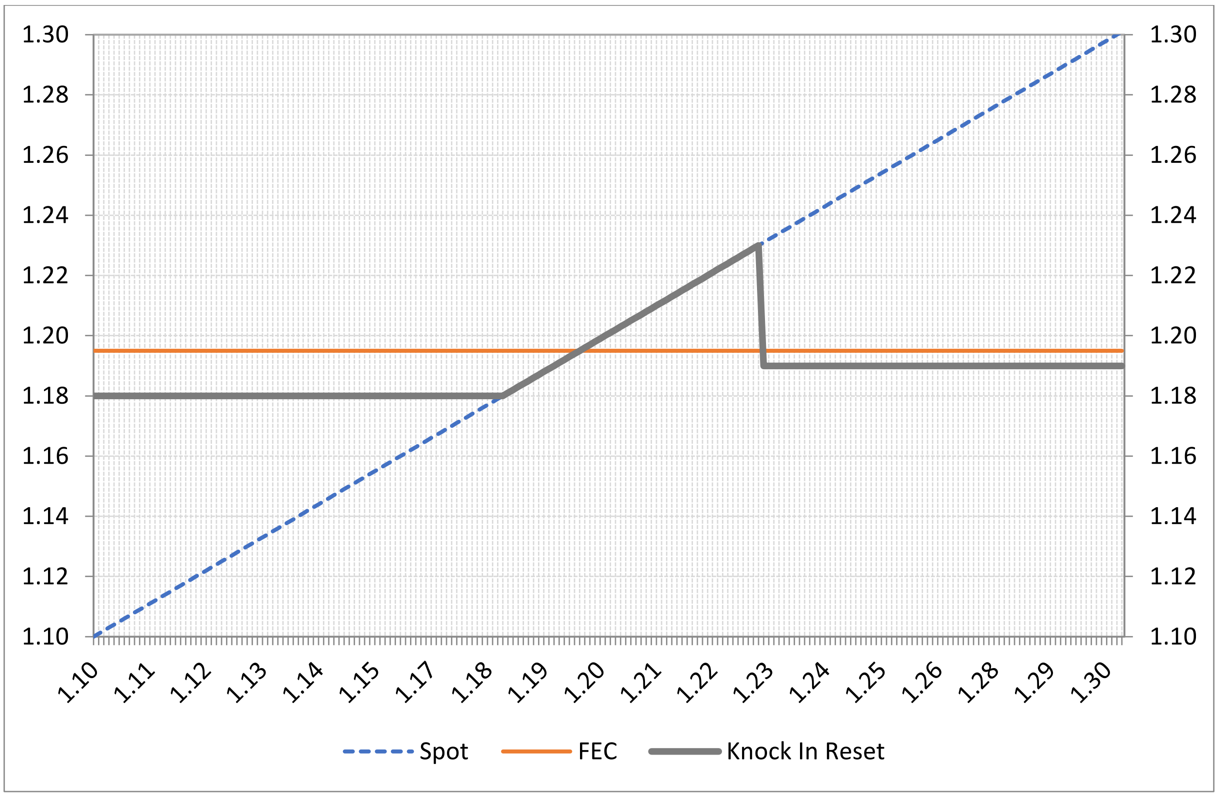
the importer instead has a fixed position at the Reset Rate of 1.2000. If the rate has fallen below 1.2000 by the Expiry Date, the importer can buy his USD at that level; however, if the rate is higher he will be obliged to deal at 1.2000 – essentially, the importer is knocked into a forward contract at the Reset Rate.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the Contracted amount at the Protection Rate and a further Call at the Reset Rate while selling a Put Option for the same amount also at the Reset Rate. Both of the latter are subject to the barrier at the Knock In Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Knock In- Reset

- Ability to participate in favourable exchange rate movements as far as the Knock In Rate. When the Knock In rate has been observed the buyer is knocked in to a rate more favourable than the original Protection Rate.
- Protection at all time with a known worst case rate.
- No premium payable (please see section 4.6 for details)

Disadvantages of a Knock In- Reset

- **The Protection Rate on this product type is typically less advantageous than the comparable Forward Exchange Contract.**
- **Participation in favourable movements is capped at the Knock In Rate and then subsequently at the Reset Rate. If the underlying Spot Rate continues to improve the buyer will be left with an obligation to trade at a rate that may seem much less advantageous than the market rate on that day.(**
- **If the Knock In Rate trades during the term and the Spot Rate continues to exceed the Reset Rate prior to the Expiry Date Convera may make a Margin Call to secure any out-of-the money position. For more information on Margin Calls please see Section 6 below and our Terms and Conditions.**

4.4.7.1 Knock In Reset – Window

The Knock In Reset – Window differs from the standard Knock In Reset by having the barrier only observed during a specified observation period or window. This is often, but not necessarily, the month before expiry. The barrier is only live during this period so the market can exceed the barrier level outside the window period with no effect on the option. In exchange for having a reduced observation period, the protection rate, reset rate and / or barrier level may be less favourable than with a standard Knock In Reset.

4.4.7.2 Knock In Reset – At Expiry

The Knock In Reset – At Expiry differs from the standard Knock In Reset by having the barrier only observed on expiry. This means the market can exceed the barrier level at any point up to, but not including, the point of expiry with no effect on the option. In exchange for having the barrier only observed at the point of expiry, the protection rate, reset rate and / or barrier level may be less favourable than with a standard Knock In Reset.

4.4.7.3 Leveraged Knock In Reset

General Product Information

The Leveraged Knock In - Reset woks in exactly the same way as the non-leveraged variety. It is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated foreign exchange rate (the “Protection Rate”). It also gives you the ability to participate in favourable movements in the Spot Exchange Rate provided that a Knock In Rate is not observed during the term of the structure (or during the Window period/ At Expiry). If the Knock In Rate is traded, then you must deal **the Leveraged Amount** at a Reset Rate, which would typically be more favourable than a comparable Forward Exchange Contract at the time of entering into the deal.

Example of a Leveraged Knock In - Reset

A Luxembourgian importer needs to buy USD 100,000 in 3 months. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer’s budget rate is at 1.2200 meaning he is reluctant to hedge at current levels. However, he recognises the risk of the rate falling further and wants to hedge 50% of his risk at close to current forward rates. However, as he expects the rate to improve over the coming months he would like to be able to take advantage of such a move. He is, however, concerned that if the EUR/USD continued to rise, he would not want to be knocked in to an obligation to trade at the Protection Rate, but would be ok with an obligation to deal the full requirement at his budget rate of 1.2200.

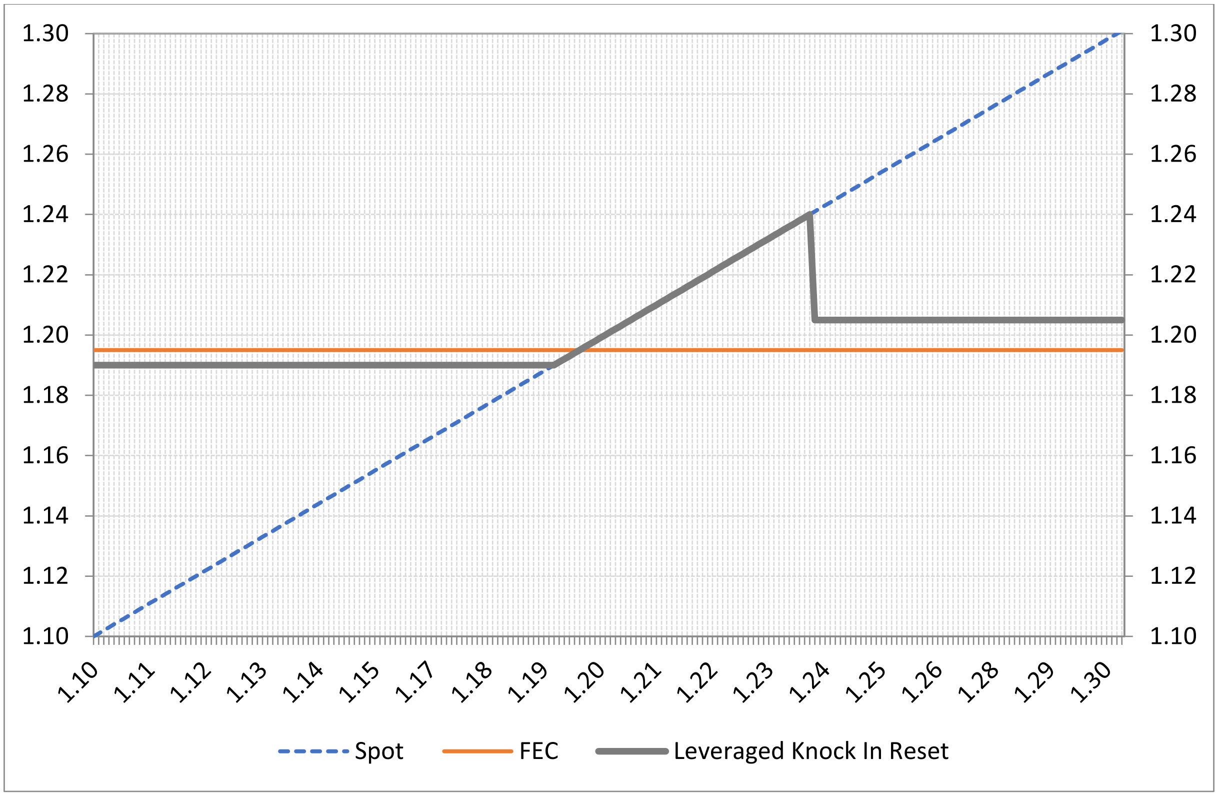
The importer enters into a Leveraged Knock In - Reset with the following terms:

Protected Amount	$50,000
Leveraged Amount	$100,000
Protection Rate	1.1700
Knock In Rate	1.2700
Reset Rate	1.2200
Expiry Date	6 months
Knock In Rate observed	Constantly

The possible outcomes on expiry are as follows:

- If the EUR/USD Spot Rate is trading below the Protection Rate at 1.1700 and has not traded at or beyond the Knock In Rate at 1.2700 the importer has the right, but no obligation to sell EUR and buy the Protected Amount of USD50,000 at 1.1700. Any remaining requirement will need to be covered in the spot market.
- If the EUR/USD Spot Rate is trading at or above the Protection Rate at 1.1700 and has not traded at or beyond the Knock In Rate at 1.2700 at any point during the life of the contract the importer will be free to let the option lapse and instead trade at the prevailing Spot Rate, which could theoretically be as high as 1.2699.
- If the EUR/USD Spot Rate has traded at or above 1.2700, protection at 1.1700 ceases to exist and the importer instead has a fixed position at the Reset Rate of 1.2200. If the rate has fallen below 1.2200 by the Expiry Date, the importer can still buy his USD at that level; however, if the rate is higher he will be obliged to deal at 1.2200 – essentially, the importer is knocked in to a forward contract at the reset rate.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Disadvantages of the Leveraged Knock In Reset

- **As well as the disadvantages listed above, the leveraged knock in reset does not offer full protection. With a non-leveraged knock in reset, if your requirement is $100,000, you hedge $100,000. With the leveraged variety, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.**

4.4.8 Knock In - Participator

General Product Information

The Knock In - Participator is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated foreign exchange rate (the "Protection Rate"). It also gives you the ability to participate in favourable movements in the Spot Exchange Rate on a portion of your exposure provided that a Knock In Rate is not traded during the term of the structure. As you only participate in part of the upside movement, this product will typically offer a more favourable protection rate and/or knock in barrier than a standard knock in option.

How a Knock In Participator Works

A Knock In – Participator is structured by entering into three concurrent options. In the first you buy a Put Option (an option to sell) from Convera at the Protection Rate. In the second you sell a Call Option (an option to buy) to Convera at the Protection Rate. The Call Option that you sell will be for a percentage of the contract amount of your Put Option (the "Participation Percentage"). In the third option you sell a Call Option with a Knock In Rate (an option that is contingent upon the Spot Rate trading at or outside the Knock In Rate prior to the Expiry Date or during the Window) to Convera at the Protection Rate. The third option that you will sell will be equal to the contract amount less the amount of the second option.

Example of a Knock In - Participator

A Luxembourgian importer needs to buy USD 100,000 in 6 months. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer's budget rate is at 1.1800. He could deal a forward contract at current prices and hedge at better than his budget level, however, he believes that the rate is likely to improve and would like to be able to benefit on at least part of his requirement. A standard Knock In or Participator would not offer a sufficiently high protection rate and he is unwilling to pay a premium or to enter into a leveraged product.

The importer therefore enters into a Knock In - Participator with the following terms:

Protection Rate:	1.1800
Knock In Rate:	1.2800
Participation Percentage:	50%
Expiry Date:	6 months
Observed:	Constantly

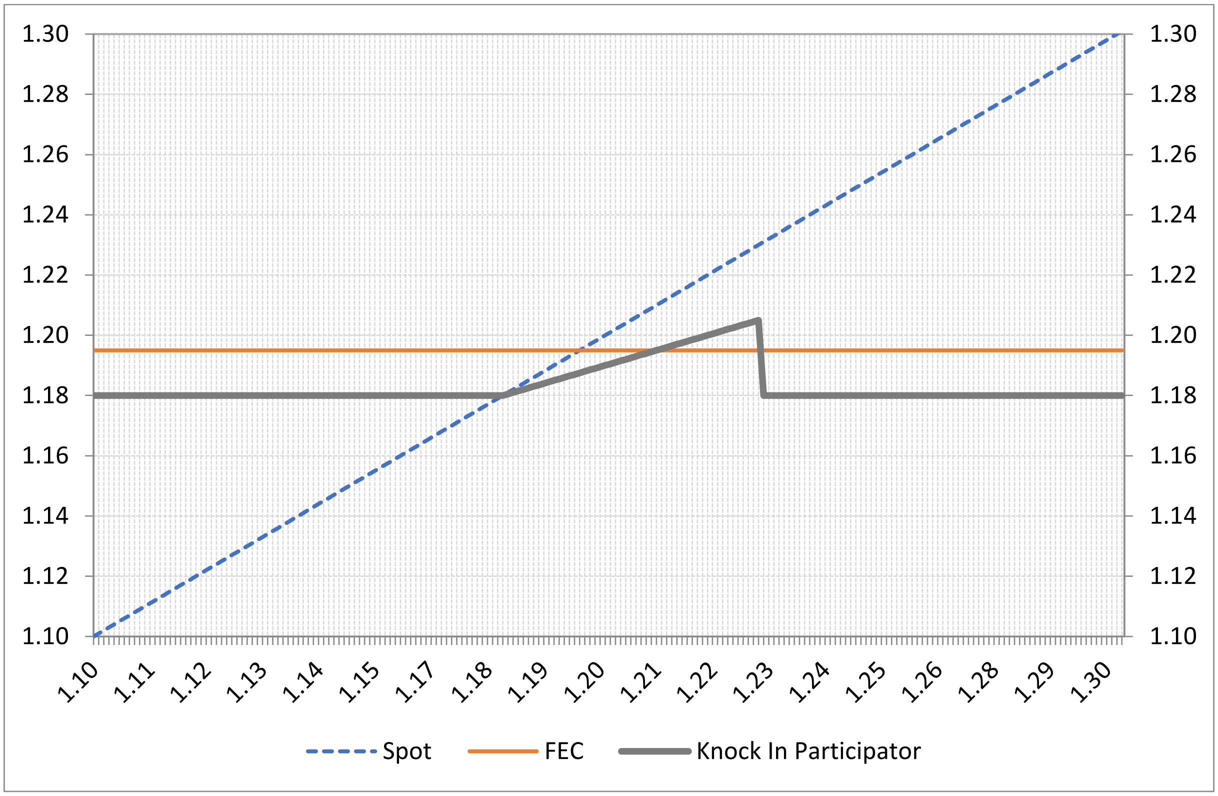
The possible outcomes on expiry are as follows:

- If the Spot Rate is below the Protection Rate at expiry the importer will have the right, but no obligation to sell EUR and buy USD 100,000 at 1.1800 – his worst case rate.
- If the Spot Rate is trading above the Protection Rate at expiry and the Knock In Rate has not been observed, the importer will have an obligation to deal $50,000 at the Protection Rate of 1.1800, but can then deal the remainder at the prevailing Spot Rate. This means he has benefitted in the favourable move at the Participation Percentage. In this case, the best case outcome would be limited to just under 1.2300.
- If the Knock In Rate is observed at any time during the life of the contract, the importer will be obliged to deal the full $100,000 at the Protection Rate of 1.1800 and will not be able to benefit from any favourable moves.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Knock In - Participator

- There is the ability to partially participate in favourable exchange rate movements on the participating portion, provided the Knock In Rate has not been observed.
- There is protection at all times with a known Protection Rate.
- The Protection Rate is more favourable than the rate applicable to a comparable Participating Forward or Knock In.
- No premium is payable.

Disadvantages of a Knock In - Participator

- **The Protection Rate will be less advantageous than the rate applicable to a comparable Forward Exchange Contract.**
- **Part of your exposure must be traded at the Protection Rate on expiry, meaning you will only be able to participate in favourable movements at the Participation Percentage.**
- **If the Spot Rate trades at or above the Knock In Rate during the term and the Spot Rate is more advantageous than the Protection Rate on the Expiry Date you will be obligated to trade the full amount of the contract at a rate that may seem very unattractive compared to the prevailing Spot Rate at that time.**
- **If the Knock In Rate trades during the term and the Spot Rate continues to exceed the Protection Rate prior to the Expiry Date Convera may require you to make a margin call to secure your out-of-the money position. For more information on margin calls please see Section 6 below and our Terms and Conditions.**

4.3.8.1 Knock In Participator – Window

The Knock In Participator – Window differs from the standard Knock In Participator by having the barrier only observed during a specified observation period or window. This is often, but not necessarily, the month before expiry. The barrier is only live during this period so the market can exceed the barrier level outside the window period with no effect on the option. In exchange for having a reduced observation period, the protection rate and / or barrier level may be less favourable than with a standard Knock In Participator.

4.3.8.2 Knock In Participator – At Expiry

The Knock In Participator – At Expiry differs from the standard Knock In Participator by having the barrier only observed on expiry. This means the market can exceed the barrier level at any point up to, but not including, the point of expiry with no effect on the option. In exchange for having the barrier only observed at the point of expiry, the protection rate and / or barrier level may be less favourable than with a standard Knock In Participator.

4.3.8.3 Leveraged Knock In Participator

General Product Information

The Leveraged Knock In Participator works in exactly the same way as the non-leveraged variety. It is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated foreign exchange rate (the "**Protection Rate**"). It also gives you the ability to partially participate in favourable movements in the Spot Exchange Rate provided that a Knock In Rate is not observed during the term of the structure (or during the Window period/ At Expiry). If the Knock In Rate is traded, then you must deal **the Leveraged Amount** at the Protection Rate on the Expiry Date. The Leveraged Amount is typically twice as much as the Protected Amount, but can be a lower multiple. The buyer can also specify whether they would like a Window barrier or an At Expiry barrier as with the non-leveraged variant.

Example of a Leveraged Knock In Participator

A UK importer needs to buy USD 100,000 in 3 months. The current EURUSD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer's budget rate is at 1.1800 but expects rates to move favourably, so is reluctant to hedge at current levels. However, he recognises the risk of the rate falling further and wants to hedge 50% of his risk at close to current forward rates while remaining able to take advantage of favourable moves. In exchange for the ability to protect at as close to forward rates as possible and maximising his upside potential he is willing to accept the potential obligation to deal a larger amount at the Protection Rate as it does match his budget rate.

The importer enters into a Leveraged Knock In Participator with the following terms:

Protected Amount $50,000

Leveraged Amount	$100,000
Protection Rate	1.2075
Knock In Rate	1.2600
Participation Percentage:	50%
Expiry Date	6 months
Knock In Rate observed	Constantly

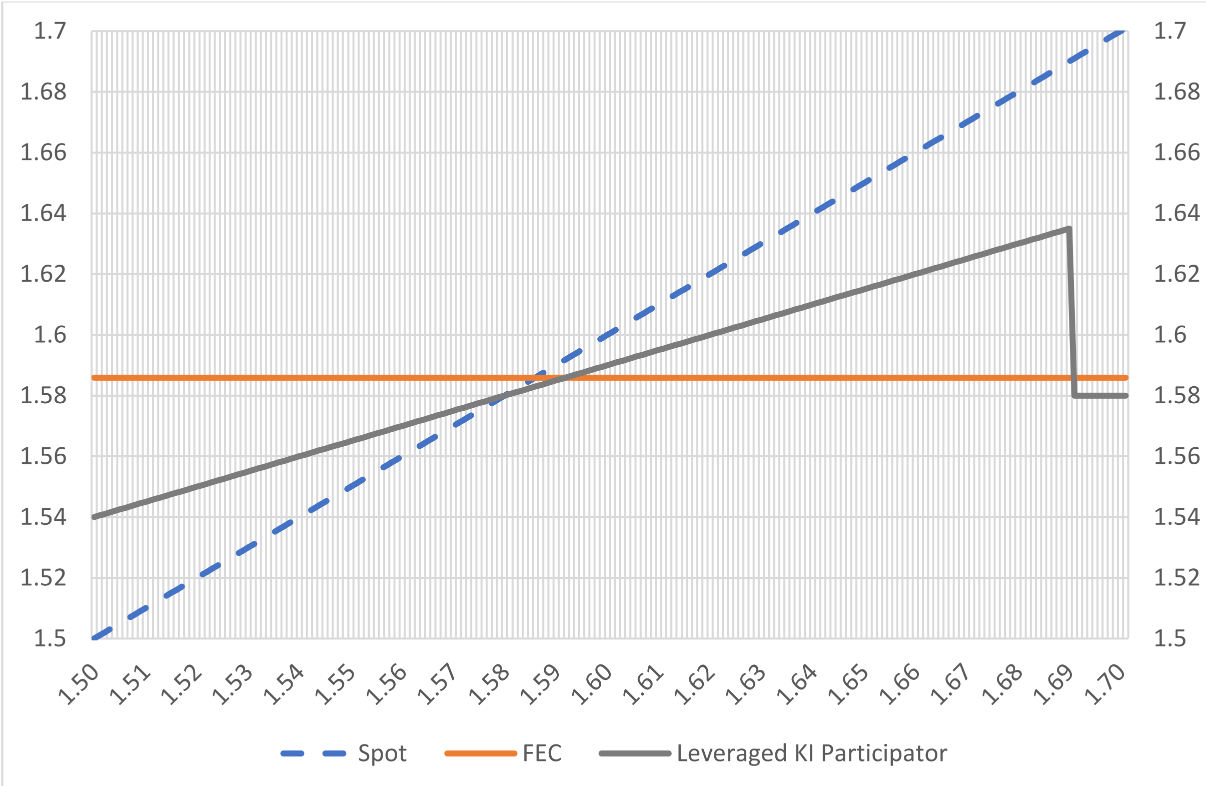
The possible outcomes on expiry are as follows:

- If the EURUSD Spot Rate is trading below the Protection Rate at 1.2075 the importer has the right, but no obligation to sell EUR and buy the Protected Amount of USD 50,000 at 1.2075, Any remaining requirement will need to be covered in the spot market.
- If the EURUSD Spot Rate is trading at or above the Protection Rate at 1.2075 and has not traded at or beyond the Knock In Rate at 1.2600 at any point during the life of the contract the importer will be obligated to deal $25,000 at the Protection Rate of $1.2075, but will be free to deal the remainder at the more favourable prevailing Spot Rate, which could theoretically be as high as 1.2599.
- If the Knock In Rate is observed at any time during the life of the contract and the spot rate remains more favourable than the Protection Rate at Expiry, the importer will be obliged to deal the Leveraged amount of $100,000 at the Protection Rate of 1.2075 and will not be able to benefit from any favourable moves.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Disadvantages of the Leveraged Knock In Participator

- **As well as the disadvantages listed in section 4.9.3.7 above, the leveraged Knock In Participator does not offer full protection. With a non-leveraged Knock In Participator, if your requirement is $100,000, you hedge $100,000. With the leveraged variety, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.**

When dealing a leveraged option, you are amplifying your exposure to market movements either through being obligated to deal the larger amount should markets move favourably or having less cover in place if the market moves against you. As such, you should ensure you have considered these risks before trading.

4.4.9 Knock In - Convertible

General Product Information

The Knock In – Convertible is a Structured Option which allows the buyer to protect against the risk that the Spot Rate will be less favourable than a nominated **Protection Rate** at the Expiry Date whilst retaining the ability to take advantage of favourable currency movements as far as a Knock In Rate. If the underlying Spot Rate trades at or beyond the Knock In Rate at any time during the life of the contract, the buyer will be obliged to trade at the Protection Rate on expiry unless the Knock Out Rate has been breached. If the Spot Rate trades at or beyond the Knock Out Rate (either before or after the Knock In Rate), the buyer's obligation to trade ceases to exist leaving a no obligation Vanilla Option giving the right to trade at the Protected Rate.

How a Knock In - Convertible Works

A Knock In – Convertible is structured by entering into two concurrent options. In the first you buy a Put Option from Convera giving you the right, but no obligation to sell the Contracted notional amount to Convera at the Protection Rate on the Expiry Date. In the second you sell a Call Option to Convera at the Protection Rate with a Knock In Rate and a Knock Out Rate. This option remains dormant and cannot be exercised against you unless the underlying Spot Rate trades at or beyond the Knock In Rate during the life of the contract. If the market does trade at or beyond the Knock In rate, the Call option is activated along with the Knock Out Rate. If, at the expiry time on the Expiry Date, the Spot Rate remains more favourable than the Protection Rate and has not traded at the Knock Out rate, you will be obliged to sell the Contracted notional value of the contract to Convera at the Protection Rate. However, if the Spot Rate trades at or beyond the Knock Out Rate, this obligation is cancelled and you are once again left with the right, but no obligation to trade at the Protection Rate.

Example of a Knock In - Convertible

A Luxembourgian importer needs to buy USD100,000 in 6 months. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer expects there to be considerable volatility in the market in the coming months and is not sure about where the EUR/USD Spot Rate will end up. As a result, he wants to secure a worst case rate that is better than his budget level at 1.1700 but also retain the ability to benefit from favourable movements, especially if the market proves as volatile as he expects.

The importer enters into a Knock-In Convertible with the following terms:

Protection Rate	1.1850
Knock In Rate	1.2200
Knock Out Rate	1.1600
Expiry Date	6 months

The possible outcomes on expiry are as follows:

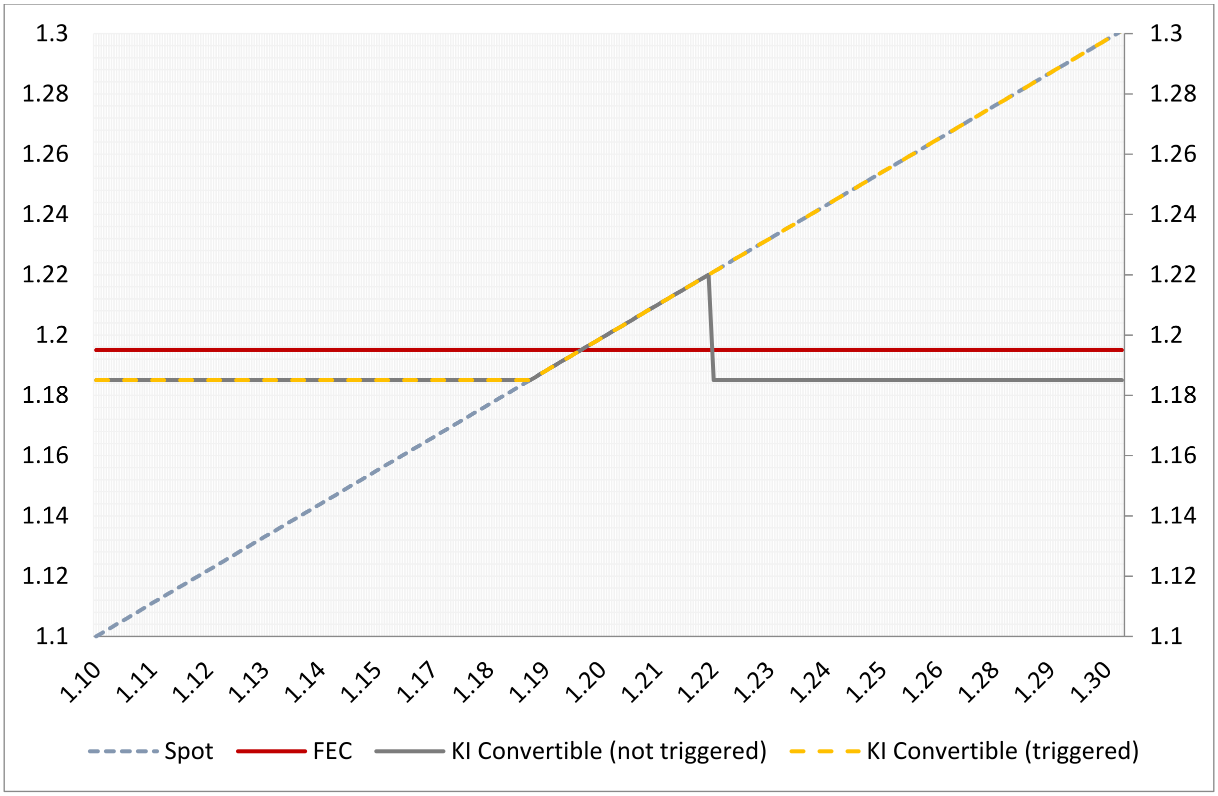
- If the EUR/USD Spot Rate is trading below the Protection rate at 1.1850, regardless of whether any barriers have been observed, the importer will have the right, but no obligation to sell EUR and buy USD 100,000 at 1.1850 – his worst case rate.
- If the EUR/USD Spot Rate is more favourable than the Protection rate at 1.1850 and has not traded at or above the Knock In rate at 1.2200 at any time during the life of the contract, the importer will be free to let his option lapse and instead sell EUR and buy USD 100,000 at the prevailing Spot Rate, which could theoretically, be as high as 1.2199.
- If the EUR/USD Spot Rate has traded at or beyond the Knock In Rate at 1.2200 at any time during the life of the contract and remains above the Protection rate of 1.1850 at expiry, the importer will be obliged to sell EUR and buy USD 100,000 at the Protection rate of 1.1850.
- If the EUR/USD Spot Rate trades at or below the Knock Out rate at 1.1300 at any point, all obligation either realised or potential will cease to exist. This leaves the importer with the right, but no obligation to sell EUR and buy USD 100,000 at the Protection rate of 1.1850 or at the prevailing spot rate, whichever is the more favourable. The 'upside' in this instance is then effectively unlimited.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the Contracted amount at the Protection Rate and selling a Put Option for the same amount at the Protection Rate with a barrier at the Knock In Rate and a further subsequent barrier at the Knock Out Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Knock In - Convertible

- Ability to participate in favourable currency movements; if the Knock Out Rate trades, participation in favourable movements is effectively unlimited.
- Protection at all time with a known worst case rate.
- No premium payable.

Disadvantages of a Knock In - Convertible

- **If the Knock Out rate is not observed during the life of the contract, Spot Rate participation in favourable moves is capped at a certain rate.**
- **If the Knock Out Rate is not observed and the Spot Rate trades at or beyond the Knock In Rate during the term and remains more advantageous than the Protection Rate on the Expiry Date you will be obliged to trade at the Protection Rate, which may seem much less favourable than the market rate on that day.**
- **If the Knock In Rate trades during the term and the Spot Rate continues to exceed the Protection Rate by a sufficient degree prior to the Expiry Date Convera may require you to make a margin call to secure your out of the money position. For more information on margin calls please see Section 6 below and our Terms and Conditions**

4.4.9.1 Leveraged Knock In - Convertible

General Product Information

The Leveraged Knock In – Convertible works in much the same way as the non-leveraged variety and still protects the buyer against the risk that the Spot Rate will be less favourable than a nominated **Protection Rate** at the Expiry Date whilst retaining the ability to take advantage of favourable currency movements as far as a Knock In Rate. If the Spot Rate trades at or beyond the Knock Out Rate (either before or after the Knock In Rate), the buyer's obligation to trade ceases to exist leaving a no obligation Vanilla Option giving the right to trade at the Protected Rate. The primary difference is that, in order to get a more favourable Protection Rate, Knock Out Rate and/or Knock In Rate from the outset, the buyer accepts the risk that, if the underlying Spot Rate trades at or beyond the Knock In Rate at any time during the life of the contract, he will be obliged to trade a Leveraged Amount at the Protection Rate on expiry unless the Knock Out Rate has been breached.

How a Leveraged Knock In Convertible Works

A Leveraged Knock In – Convertible is structured by entering two concurrent options. In the first you buy a Put Option from Convera giving you the right, but no obligation to sell the Contracted notional amount to Convera at the Protection Rate on the Expiry Date. In the second you sell a Call Option (with a greater notional amount) to Convera at the Protection Rate with a Knock In Rate and a Knock Out Rate. This option cannot be exercised against you unless the underlying Spot Rate trades at or beyond the Knock In Rate during the life of the contract. If the market does trade at or beyond the Knock In rate, the Call option is activated – although the Knock Out Rate is 'live' throughout. If, at the expiry time on the Expiry Date, the Spot Rate remains more favourable than the Protection Rate and has not traded at the Knock Out rate, you will be obliged to sell the Contracted notional value of the contract to Convera at the Protection Rate. However, if the Spot Rate trades at or beyond the Knock Out Rate at any point, all obligation (whether knocked in or not) is cancelled and you are left with the right, but no obligation to trade at the Protection Rate.

Example of a Leveraged Knock In Convertible

A Luxembourgian importer needs to buy USD100,000 in 6 months. The current EURUSD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer expects there to be considerable volatility in the market in the coming months and is not sure about where the EURUSD Spot Rate will end up. As a result, he wants to secure a worst case rate that is better than his budget level at 1.1750 but also retain the ability to benefit from favourable movements, especially if the market proves as volatile as he expects.

The importer enters into a Knock-In Convertible with the following terms:

Protection Rate	1.1900
Knock In Rate	1.2500
Knock Out Rate	1.1600
Expiry Date	6 months
Protection Amount	USD 100,000

Leveraged Amount USD 200,000

The possible outcomes on expiry are as follows:

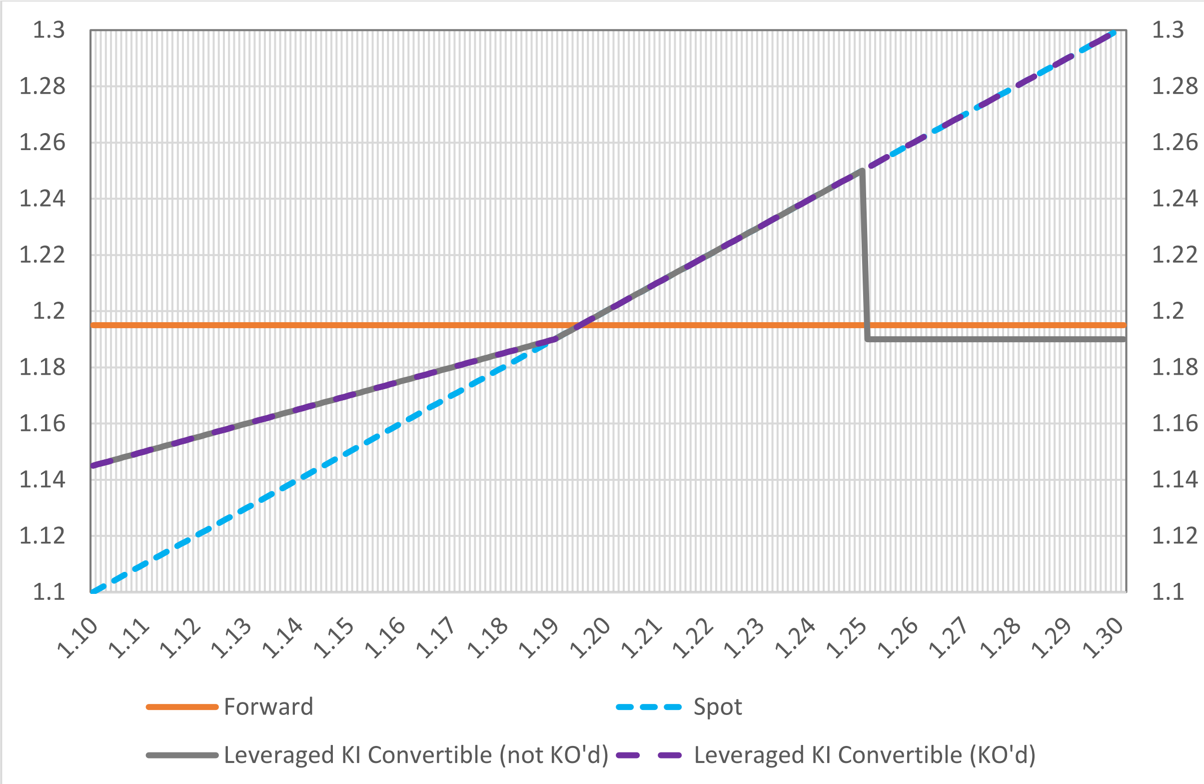
- If the EURUSD Spot Rate is trading below the Protection rate at 1.1900, regardless of whether any barriers have been observed, the importer will have the right, but no obligation to sell EUR and buy USD 100,000 at 1.1900 – his worst case rate.
- If the EURUSD Spot Rate is more favourable than the Protection rate at 1.1900 and has not traded at or above the Knock In rate at 1.2500 at any time during the life of the contract, the importer will be free to let his option lapse and instead sell EUR and buy USD 100,000 at the prevailing Spot Rate, which could theoretically, be as high as 1.2499.
- If the EURUSD Spot Rate has traded at or beyond the Knock In Rate at 1.2500 at any time during the life of the contract and remains above the Protection rate of 1.1900 at expiry, the importer will be obliged to sell EUR and buy the Leveraged Amount of USD 200,000 at the Protection rate of 1.1900.
- If the EURUSD Spot Rate trades at or below the Knock Out rate at 1.1500 at any point, all obligation either realised or potential will cease to exist. This leaves the importer with the right, but no obligation to sell EUR and buy USD 100,000 at the Protection rate of 1.1900 or at the prevailing spot rate, whichever is the more favourable. The 'upside' in this instance is then effectively unlimited.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the Contracted amount at the Protection Rate and selling a Put Option for the same amount at the Protection Rate with a barrier at the Knock In Rate and a further subsequent barrier at the Knock Out Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Disadvantages of the Leveraged Knock In Convertible

- **As well as the disadvantages listed in section 4.9.3.8 above, the Leveraged Knock In Convertible does not offer full protection. With a non-leveraged Knock In Convertible, if your requirement is $100,000, you hedge $100,000. With the leveraged variety, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.**
- **When dealing a leveraged option, you are amplifying your exposure to market movements either through being obligated to deal the larger amount should markets move favourably or having less cover in place if the market moves against you. As such, you should ensure you have considered these risks before trading.**

4.4.10 Knock Out - Reset

General Product Information

The Knock Out - Reset is a Structured Option that gives the buyer the benefit of achieving an enhanced exchange rate compared to the equivalent Forward Exchange Rate provided that the Spot Rate remains within a specified range for the entire life of the structure. A Knock Out - Reset will always provide you with a guaranteed worst case rate allowing you to protect against the risk that the Spot Rate is less favourable on expiry of the option.

How a Knock Out Reset Works

A Knock Out - Reset is structured by entering into the following four concurrent options:

(i) You buy a Put Option from Convera at the Enhanced Rate with a lower Knock Out barrier and a higher Knock Out barrier. This gives you the right, but no obligation sell the Contracted notional value of the option to Convera at the Enhanced Rate on expiry, provided that the underlying Spot Rate has not traded at or beyond either Knock Out barrier at any time during the life of the contract.

(ii) You sell a Call Option to Convera at the Enhanced Rate with the same lower Knock Out barrier and higher Knock Out barriers. This option will oblige you to sell the Contracted notional value of currency to Convera at the Enhanced Rate should the underlying spot price exceed that level at expiry; however, as with the first option above, this ceases to exist if the Spot Rate trades at or beyond either Knock Out barrier prior to the Expiry Date.

(iii) You also buy another Put Option from Convera, this time at the Reset Rate with a lower Knock In barrier and a higher Knock In barrier at the same levels as the Knock Out barriers above. This option will give you the right, but no obligation to sell the Contracted notional value of currency to Convera at the Reset Rate – although this is contingent upon the Spot Rate trading at or beyond either Knock In barrier prior to the Expiry Date.

(iv) You also sell a further Call Option to Convera at the Reset Rate with the same lower Knock In barrier and higher Knock In barrier as above. This option will oblige you to sell the Contracted notional value of currency to Convera should the underlying Spot Rate exceed the Reset Rate at the Expiry Time on the Expiry Date, although this is also contingent upon the Spot Rate trading at or beyond either Knock In barrier prior to the Expiry Date.

Example of a Knock Out Reset

A Luxembourgian importer needs to buy USD100,000 in 6 months. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer wants to achieve a rate of 1.2200 – which is above the current Spot Rate - but is not able to use a leveraged product to achieve this. He expects volatility to remain low in the coming weeks, but as a worst case – he needs to protect his budget rate at 1.1500.

The importer enters into a Knock Out Reset with the following terms:

Enhanced Rate	1.2200
Reset Rate	1.1750
Knock Out (and Knock In) Rates	1.2400 and 1.1300
Expiry Date	6 months

The possible outcomes on expiry are as follows:

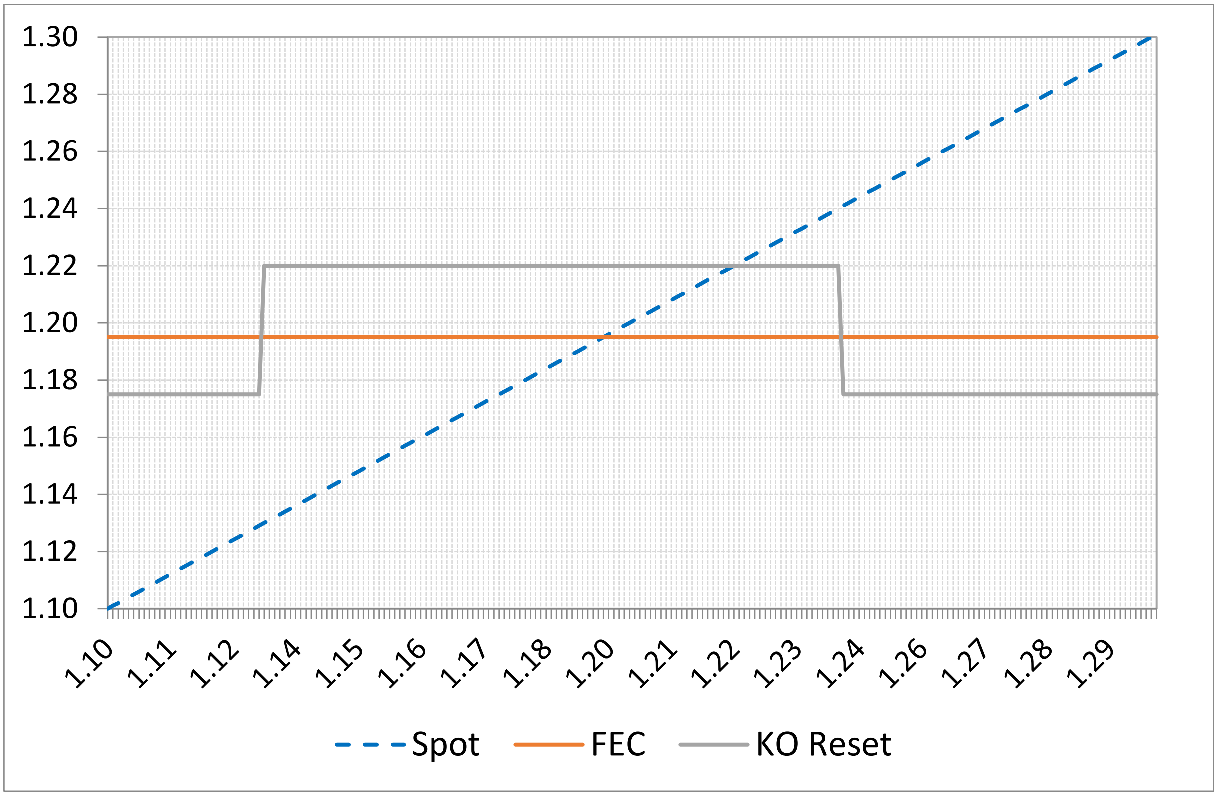
- If the EUR/USD Spot Rate is below the Enhanced Rate of 1.2200 and has not traded at or beyond either the higher or lower Knock Out Rates at any time during the term of the structure, the importer will have the right, but no obligation to sell EUR and buy USD100,000 at 1.2200.
- If the EUR/USD Spot Rate is at or above 1.2200 and has not traded at or beyond either Knock Out Rate, the importer will be obliged to sell EUR and buy USD at the Enhanced Rate of 1.2200 and so cannot participate in any upside moves beyond that level.
- If the EUR/USD Spot Rate has traded above either the higher or lower Knock Out Rate during the term of the structure, the importer's Put option and Convera's Call option at 1.2200 will cease to exist and will instead be replaced with an equivalent Put (for the importer) and a Call (for Convera) at the Reset Rate of 1.1750.
- The importer will therefore have the right, but no obligation, to sell EUR and buy USD100,000 at 1.1750 if the EUR/USD Spot Rate is below that level at expiry or will be obliged to sell EUR and buy USD 100,000 at 1.1750 if the EUR/USD Spot Rate is above that level at expiry. 1.1750 is therefore the importer's worst-case rate.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option and selling a Put at the Enhanced Rate with higher and lower Knock Out barriers and then buying a further Call and selling a further Put Option for the same Contracted notional amount at the Reset Rate that are contingent upon Knock In barriers.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Knock Out Reset

- Ability to achieve an enhanced rate over the comparative Forward Exchange Rate without using leverage, provided neither Knock Out Rate is breached.
- Protection at all time with a known worst case exchange rate – the Reset Rate.
- No premium payable.

Disadvantages of a Knock Out Reset

- **If either Knock Out Rate is breached, you could be trading at a level lower than the comparative Forward Exchange Rate.**
- **There is potential to be transacting at a rate that is less advantageous than the Spot Rate on the Expiry Date.**
- **If the underlying Spot Rate is trading at a rate that is sufficiently more advantageous than the Enhanced Rate (or the Reset Rate if the Knock Out Rate barriers have been observed) during the term of the structure, Convera may make a Margin Call to secure your out of the money position. For more information on Margin Calls please see Section 6 below and our Terms and Conditions.**

4.4.10.1 Knock Out Reset – Window

The Knock Out Reset – Window differs from the standard Knock Out Reset by having the barriers only observed during a specified observation period or window. This is often, but not necessarily, the month before expiry. The barriers are only live during this period so the market can exceed the barrier levels outside the window period with no effect on the option. In exchange for having a reduced observation period, the protection rate, reset rate and / or barrier levels may be less favourable than with a standard Knock Out Reset.

4.4.10.2 Leveraged Knock Out - Reset

General Product Information

The Leveraged Knock Out Reset is a Structured Option that gives the buyer the benefit of achieving an enhanced exchange rate compared to the equivalent Forward Exchange Rate provided that the Spot Rate either remains, or does not remain within a specified range for the entire life of the structure – these terms are specified at the outset. A Leveraged Knock Out Reset will always provide you with a guaranteed worst case rate allowing you to protect against the risk that the Spot Rate is less favourable on expiry of the option, but will obligate the buyer to deal a larger amount if the underlying spot rate is more favourable than the initial Protection Rate or Reset Rate (depending whether relevant barriers have been observed).

How a Leveraged Knock Out Reset Works

A Leveraged Knock Out Reset is structured by entering into the following four concurrent options:

(i) You buy a Put Option from Convera at the Initial Protection Rate with a lower Knock Out barrier and a higher Knock Out barrier. This gives you the right, but no obligation sell the Protection Amount to Convera at the Initial Protection Rate on expiry, provided that the underlying Spot Rate has not traded at or beyond either Knock Out barrier at any time during the life of the contract.

(ii) You sell a Call Option to Convera at the Initial Protection Rate with the same lower Knock Out barrier and higher Knock Out barriers. This option will oblige you to sell the Leveraged Amount to Convera at the Enhanced Rate should the underlying spot price exceed that level at expiry; however, as with the first option above, this ceases to exist if the Spot Rate trades at or beyond either Knock Out barrier prior to the Expiry Date.

(iii) You also buy another Put Option from Convera, this time at the Reset Rate with a lower Knock In barrier and a higher Knock In barrier at the same levels as the Knock Out barriers above. This option will give you the right, but no obligation to sell the Protected Amount to Convera at the Reset Rate – although this is contingent upon the Spot Rate trading at or beyond either Knock In barrier prior to the Expiry Date.

(iv) You also sell a further Call Option to Convera at the Reset Rate with the same lower Knock In barrier and higher Knock In barrier as above. This option will oblige you to sell the Leveraged Amount to Convera should the underlying Spot Rate exceed the Reset Rate at the Expiry Time on the Expiry Date, although this is also contingent upon the Spot Rate trading at or beyond either Knock In barrier prior to the Expiry Date.

Example of a Leveraged Knock Out Reset

A Luxembourgian importer needs to buy USD100,000 in 6 months. The current EURUSD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer wants to achieve a rate of 1.1900 – which is above the current Spot Rate - but thinks volatility will be high and wants this rate to improve if he is correct and spot trades outside a specific range. He is prepared to deal a larger, leveraged amount, at his worst-case rate if necessary to secure the terms he is looking for.

The importer enters into a Leveraged Knock Out Reset with the following terms:

Initial Protection Rate	1.1900
Reset Rate	1.2300
Knock Out (and Knock In) Rates	1.2500 and 1.1200
Expiry Date	6 months
Protected Amount	USD 100,000
Leveraged Amount	USD 200,000

The possible outcomes on expiry are as follows:

- If the EURUSD Spot Rate is below the Initial Protection Rate of 1.1900 and has not traded at or beyond either the higher or lower Knock Out Rates at any time during the term of the structure, the importer will have the right, but no obligation to sell EUR and buy USD100,000 at 1.1900.
- If the EURUSD Spot Rate is at or above 1.1900 and has not traded at or beyond either Knock Out Rate, the importer will be obliged to sell EUR and buy the Leveraged Amount of USD 200,000 at the Initial Protection Rate of 1.1900 and so cannot participate in any upside moves beyond that level.
- If the EURUSD Spot Rate has traded above either the higher or lower Knock Out Rate during the term of the structure, the importer's Put option and Convera's Call option at 1.1900 will cease to exist and will instead be replaced with an equivalent Put (for the importer) and a Call (for Convera) at the Reset Rate of 1.2300.
- The importer will therefore have the right, but no obligation, to sell EUR and buy USD100,000 at 1.2300 if the EURUSD Spot Rate is below that level at expiry, or will be obliged to sell EUR and buy USD 200,000 at 1.2300 if the EURUSD Spot Rate is above that level at expiry. 1.2300 is then the worst case rate for the importeur.

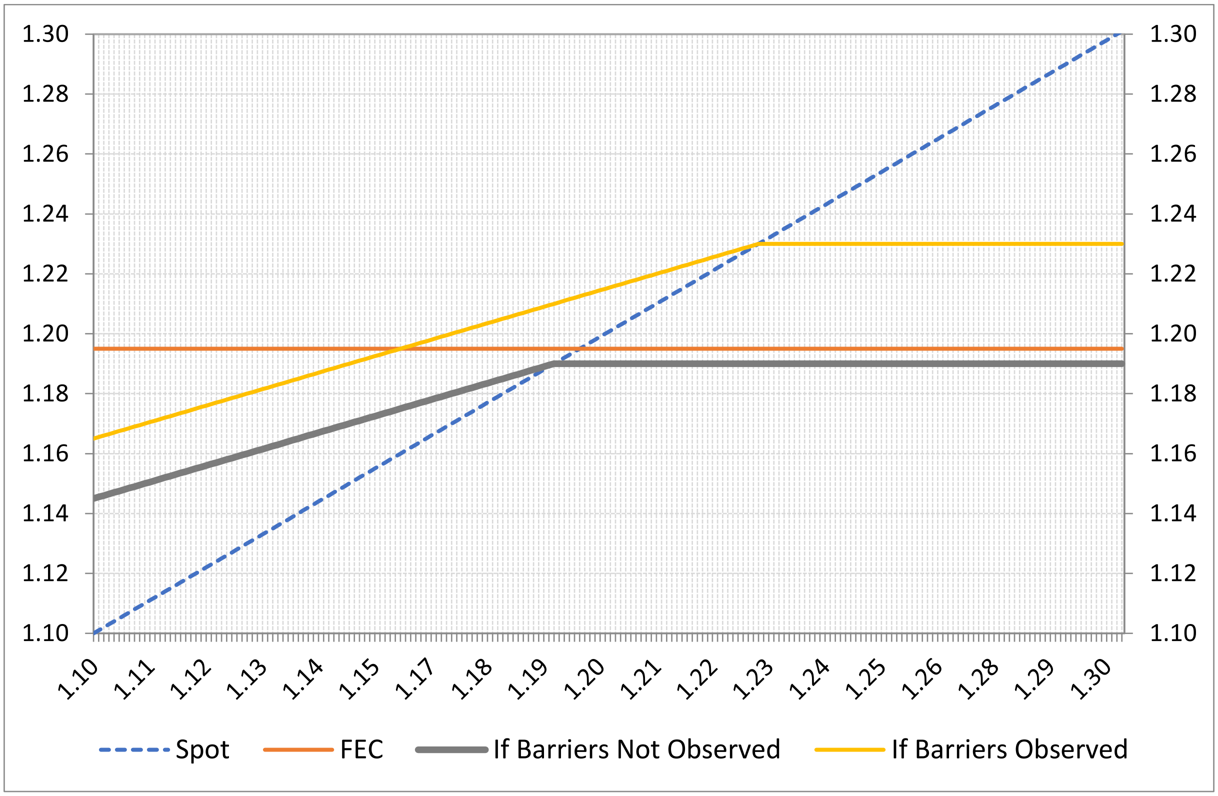
For an exporter the outcomes are much the same except the structure consists of buying a Call Option and selling a Put at the Enhanced Rate with higher and lower Knock Out barriers and then buying a further Call and selling a further Put Option for the same Contracted notional amount at the Reset Rate that are contingent upon Knock In barriers.

It would also be possible for an importer or exporter to express the opposite view, with the Initial Protection Rate being more favourable than the Reset Rate if they felt volatility would remain low. In such a case, the Reset Rate would be less favourable than the initial protection rate.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Disadvantages of the Leveraged Knock Out Reset

- **As well as the disadvantages above, the Leveraged Knock Out Reset does not offer full protection. With a non-leveraged Knock Out Reset, if your requirement is $100,000, you hedge $100,000. With the leveraged variety, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.**
- **When dealing a leveraged option, you are amplifying your exposure to market movements either through being obligated to deal the larger amount should markets move favourably or having less cover in place if the market moves against you. As such, you should ensure you have considered these risks before trading.**

4.4.11 Knock Out - Convertible

General Product Information

The Knock Out- Convertible is a Structured Option which allows the buyer to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated Foreign Exchange Rate (the **Protection Rate**). It also gives the buyer the ability to participate in favourable movements in the Spot Exchange Rate provided that a barrier at a Knock Out Rate is observed during the term of the structure.

How a Knock Out – Convertible Works

A Knock Out – Convertible is structured by entering into two concurrent options. In the first you buy a Put Option from Convera, giving you the right, but no obligation to sell the Contracted notional value of currency to Convera at the Protection Rate on the Expiry Date. In the second, you sell a Call Option to Convera, also at the Protection Rate with a Knock Out barrier. This option will oblige you to sell the Contracted notional value of currency to Convera at the Protection rate, should the underlying Spot Rate exceed that level at expiry; however, this potential obligation will cease to exist if the underlying Spot Rate trades at or beyond a barrier at the Knock Out Rate prior to the Expiry Date.

Example of a Knock Out- Convertible

A Luxembourgian importer needs to buy USD100,000 in 6 months. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. He expects the market to be volatile in the short term, but believes it more likely to move in his favour by the time he needs to trade and would like to be in a position to take advantage of such a move, preferably without any limit on his ability to participate. That said, he has tight margins and can't afford to be wrong, so needs to protect a worst case rate of 1.1750.

The importer enters into a Knock-Out Convertible with the following terms:

Protection Rate	1.1800
Knock Out Rate	1.1500
Expiry Date	6 months

The possible outcomes on expiry are as follows:

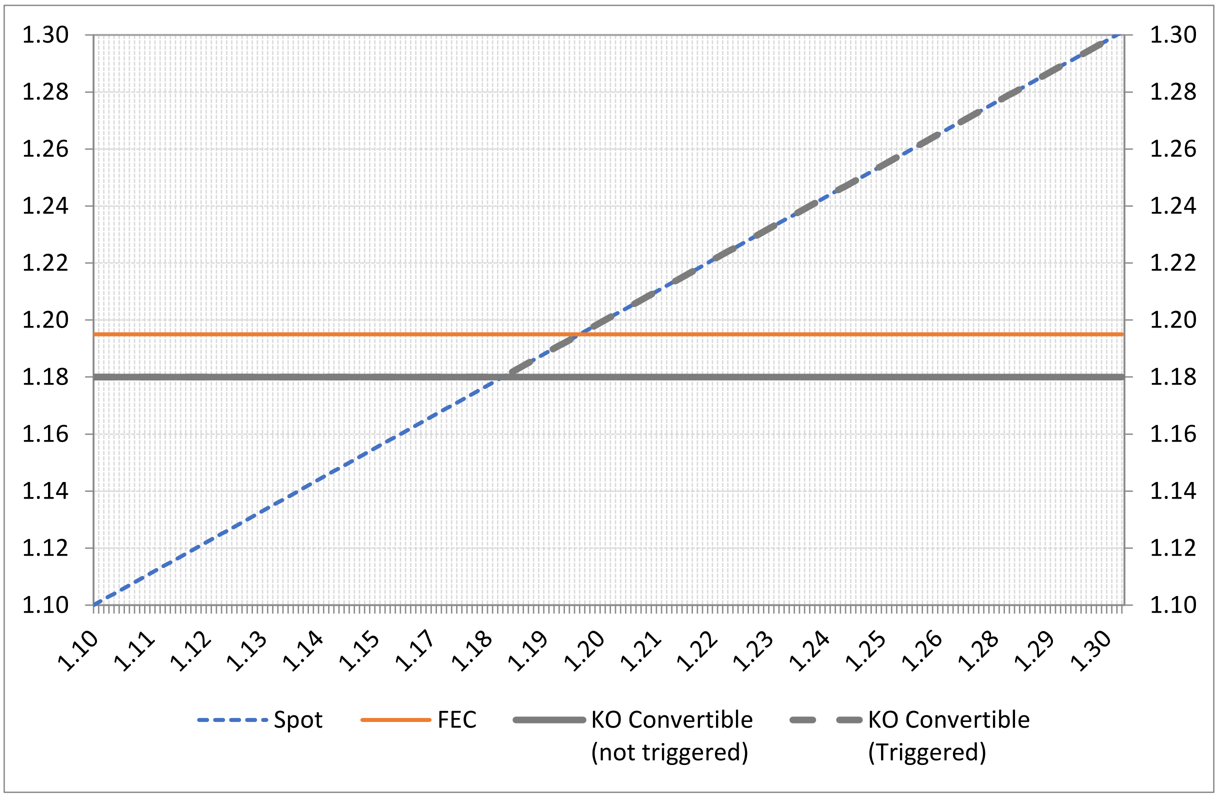
- If the EUR/USD Spot Rate is trading at or below the Protection Rate of 1.1800, the importer will have the right, but no obligation to sell EUR and buy USD 100,000 at 1.1800 – his worst case rate.
- If the EUR/USD rate is trading above the Protection Rate of 1.1800 and has not traded at or beyond the Knock Out Rate of 1.1500 during the life of the contract, the importer will be obliged to sell EUR and buy USD100,000 at 1.1800.
- If the EUR/USD rate has traded at or below the Knock Out Rate of 1.1500 during the life of the contract, all potential obligations on the importer cease to exist. This means that, if the EUR/USD

rate subsequently recovers and is trading above the Protection Rate at 1.1800, the importer will be free to trade at the prevailing Spot Rate – should he choose to do so. In this instance, the potential 'upside' is unlimited. The importer will, however, always remain protected at 1.1800.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Knock Out- Convertible

- Unlimited ability to participate in favourable exchange rate movements provided the Knock Out Rate has been observed.
- Protection at all times with a known worst case exchange rate.
- No premium payable.

Disadvantages of a Knock Out- Convertible

- **The Protection Rate will be less advantageous than the rate applicable to a comparable**

Forward Exchange Contract.

- **If the Spot Rate on the Expiry Date is more advantageous than the Protection Rate and the Knock Out Rate has not been observed you will be obliged to trade at a rate that is less advantageous than the Spot Rate on the Expiry Date.**
- **If, prior to the Expiry Date the underlying Spot Rate exceeds the Protection Rate by a sufficient amount and the barrier at the Knock Out Rate has not been observed Convera may make a Margin Call to secure your out-of-the-money position. For more information on Margin Calls please see section 6 below and your Terms and Conditions.**

4.4.11.1 Leveraged Knock Out Convertible

The leveraged Knock Out Convertible works in the same way as the non-leveraged version, in that you have a fixed rate at the outset providing protection against unfavourable movements in the Spot Rate. Should the knock out rate be observed, your obligation to deal at the Protection Rate will cease to exist, although your protection will remain. This means you then have unlimited participation in any favourable movements thereafter, the main difference is the amount that you will be obliged to deal if the knock out rate is not observed and the Spot Rate remains more favourable than your Protection Rate at expiry. In order to achieve a more favourable protection rate or a knock out rate that is more likely to be observed, you will be obliged to deal the leveraged amount at the protection rate in this instance.

Example of a Leveraged Knock Out Convertible

Once again, our Luxembourgian importer needs to buy USD100,000 in 6 months. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. He expects there to be volatility in the short term, with the rate more likely to move in his favour thereafter, but can't afford to be wrong and needs to protect at least 50% of his exposure at a rate not much lower than the current forward rate at 1.1800. As his alternative would be to lock in a forward at this level, he accepts that he may be obliged to deal the full $100,000 at 1.1800 if the knock out barrier is not observed.

The importer enters into a Knock-Out Convertible with the following terms:

Protected Amount	$50,000
Leveraged Amount	$100,000
Protection Rate	1.1900
Knock Out Rate	1.1600
Expiry Date	6 months

The possible outcomes on expiry are as follows:

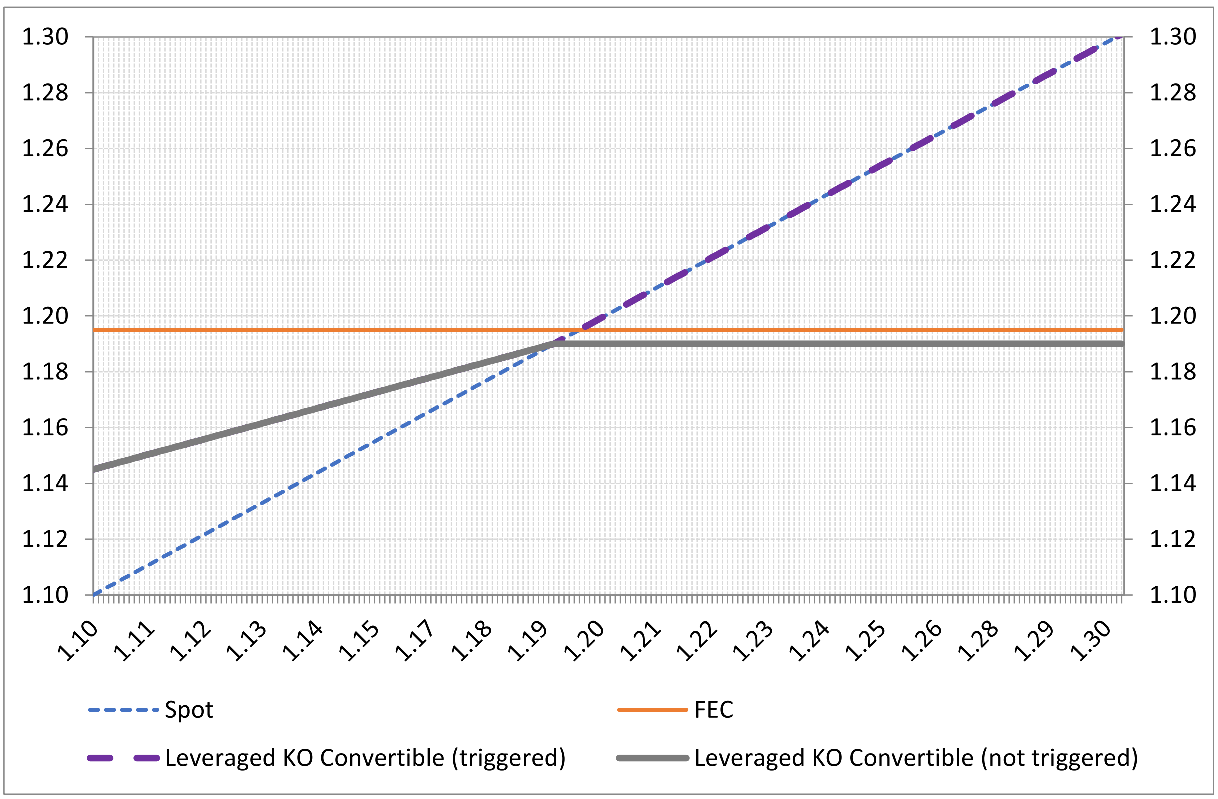
- If the EUR/USD Spot Rate is trading at or below the Protection Rate of 1.1900, the importer will have the right, but no obligation to sell EUR and buy the Protected Amount of USD 50,000 at 1.1900. He would need to buy the remainder in the spot market.

- If the EUR/USD rate is trading above the Protection Rate of 1.1900 and has not traded at or beyond the Knock Out Rate of 1.1600 during the life of the contract, Convera will exercise its Call Option and the importer will be obliged to sell EUR and buy USD 100,000 at 1.1900.
- If the EUR/USD rate has traded at or below the Knock Out Rate of 1.1600 during the life of the contract, Convera's Call option will cease to exist. This means that, if the EUR/USD rate subsequently recovers and is trading above the Protection Rate at 1.1900, the importer will be free to let his option lapse and trade at the prevailing Spot Rate – should he choose to do so. In this instance, the potential 'upside' is unlimited.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Disadvantages of a Leveraged Knock Out Convertible

- As well as the disadvantages listed above, the leveraged knock out convertible does not offer full protection. With a non-leveraged knock out convertible, if your requirement is $100,000, you hedge $100,000. With the leveraged variety, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.

4.4.12. Knock Out – Participator

General Product Information

The Knock Out - Participator is a Structured Option which allows you to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated foreign exchange rate (the **Protection Rate**). It also gives you the ability to participate in favourable movements in the Spot Exchange Rate on a portion of your exposure provided that a Knock Out Rate is observed during the term of the structure.

How a Knock Out – Participator Works

A Knock Out – Participator is constructed by entering into three concurrent options. In the first you buy a Put Option from Convera which gives you the right, but no obligation, to sell one currency and buy another at the Protection Rate on the Expiry Date. In the second you sell a Call Option to Convera at the Protection Rate which will oblige you to deal a portion of your requirement at the Protection Rate. The Call Option that you will sell will be for a percentage of the contract amount of your Put Option (the **Participation Percentage**). In the third option you sell a further Call Option obliging you to deal at the Protection Rate, but this one also has a Knock Out Rate (this option ceases to exist if the Spot Rate trades at or beyond the Knock Out Rate prior to the Expiry Date) to Convera. The contract amount for the second Call Option that you sell will be equal to the Contract amount of the first option less the contract amount of the second option.

Example of a Knock Out Participator

A Luxembourgian importer needs to buy USD100,000 in 6 months. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1879. He expects there to be volatility in the short term, with the rate more likely to move in his favour thereafter but can’t afford to be wrong and needs to protect all of his exposure at a rate of 1.1850 – not much below the forward rate. As he needs to hedge all his risk, a leveraged product would not be suitable and most other non-leveraged, zero cost structures would not be able to protect at a suitable level. As his alternative would be to lock in a forward at this level, he accepts that he may be obliged to deal the full $100,000 at 1.1850 if the knock out barrier is not observed.

The importer enters into a Knock-Out Participator with the following terms:

Protected Amount	$100,000
Participation Percentage	50%
Protection Rate	1.1850
Knock Out Rate	1.1550
Expiry Date	6 months

The possible outcomes on expiry are as follows:

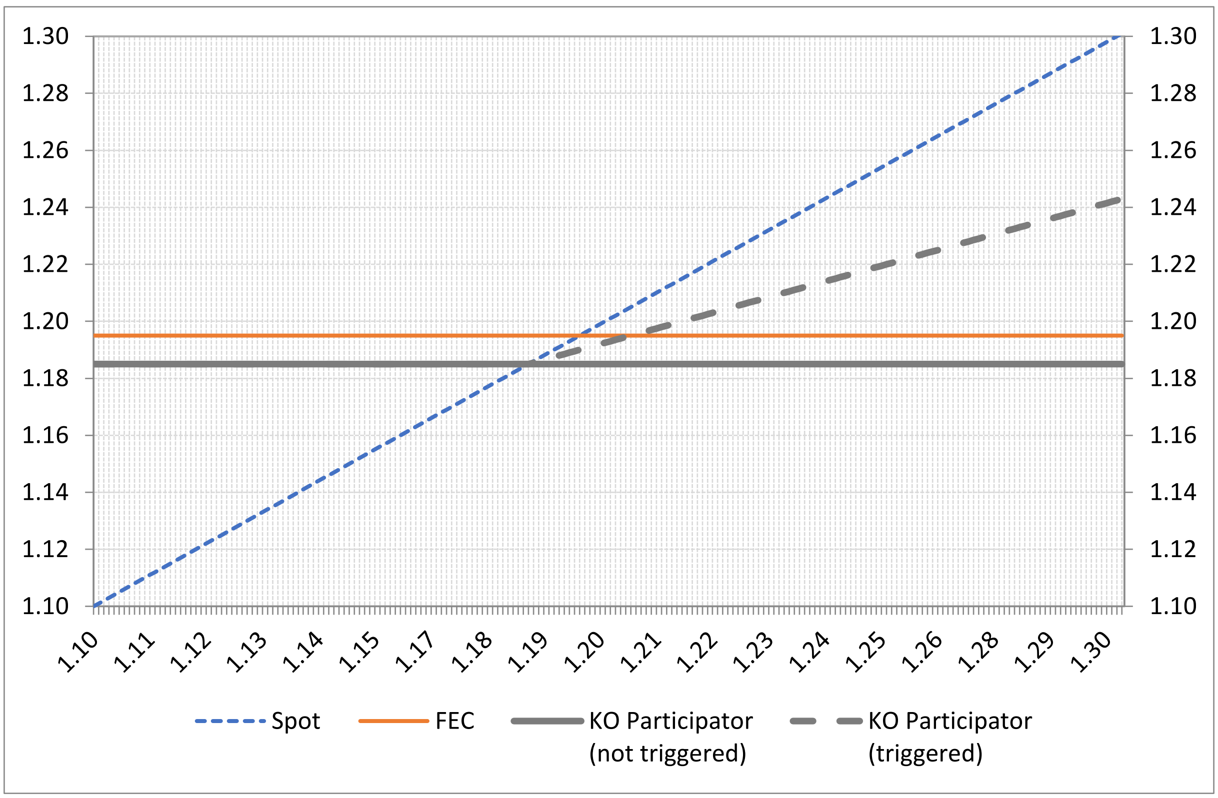
- If the EUR/USD Spot Rate is trading at or below the Protection Rate of 1.1850, the importer will have the right, but no obligation to sell EUR and buy the Protected Amount of USD 100,000 at 1.1850 – his worst case rate.

- If the EUR/USD rate is trading above the Protection Rate of 1.1850 and has not traded at or beyond the Knock Out Rate at any point during the life of the contract, Convera will exercise its two Call Options and the importer will be obliged to sell EUR and buy USD100,000 at 1.1850.
- If the EUR/USD rate has traded at or below the Knock Out Rate of 1.1850 during the life of the contract, one of Convera's Call options will cease to exist. This means that, if the EUR/USD rate subsequently recovers and is trading above the Protection Rate at 1.1850, the importer will be obliged to deal $50,000 at the Protection Rate and will then be free to deal the remainder – the Participation Percentage -at the more favourable prevailing Spot Rate, meaning he has benefitted from 50% of the upside. In this instance the potential 'upside' is unlimited, albeit only at the Participation Percentage.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Knock Out Participator

- Ability to participate in favourable exchange rate movements on a portion of your exposure if the Knock Out Rate is observed.
- Protection at all times with a known worse case rate.

- The Protection Rate is more favourable than the rate applicable to a comparable Participator.
- No premium is payable.

Disadvantages of a Knock Out Participator

- **The Protection Rate will be less advantageous than the rate applicable to a comparable Forward Exchange Contract.**
- **If the Spot Rate on the Expiry Date is more advantageous than the Protection Rate and the Knock Out Rate has not been observed you will be obligated to trade the full contract notional sum at a rate that is less advantageous than the Spot Rate on the Expiry Day.**
- **If the Spot Rate exceeds the Protection Rate prior to the Expiry Date Convera may require you to make a Margin Call to secure your out-of-the-money position. For more information on margin calls please see section 6 and your Terms and Conditions.**

4.4.12.1 Leveraged Knock Out Participator

The Leveraged Knock Out Participator works in the same way as the non-leveraged version, in that you have a fixed rate at the outset providing protection against unfavourable movements in the Spot Rate. Should the knock out rate be observed, part of your obligation to deal at the Protection Rate will cease to exist, although your protection will remain. This means you then have unlimited participation in any favourable movements on that portion thereafter, The main difference is the amount that you will be obliged to deal if the knock out rate is not observed and the Spot Rate remains more favourable than your Protection Rate at expiry. In order to achieve a more favourable protection rate or a knock out rate that is more likely to be observed, you will be obliged to deal the Leveraged Amount at the Protection Rate in this instance.

Example of a Leveraged Knock Out Participator

Once again, our Luxembourgian importer needs to buy USD100,000 in 6 months . The current EURUSD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1999. He expects there to be volatility in the short term, with the rate more likely to move in his favour thereafter, but can't afford to be wrong and needs to protect at least 50% of his exposure at a rate equivalent to the current forward rate at $1.2000. As his alternative would be to lock in a forward at this level, he accepts that he may be obliged to deal the full $100,000 at $1.2000 if the knock out barrier is not observed.

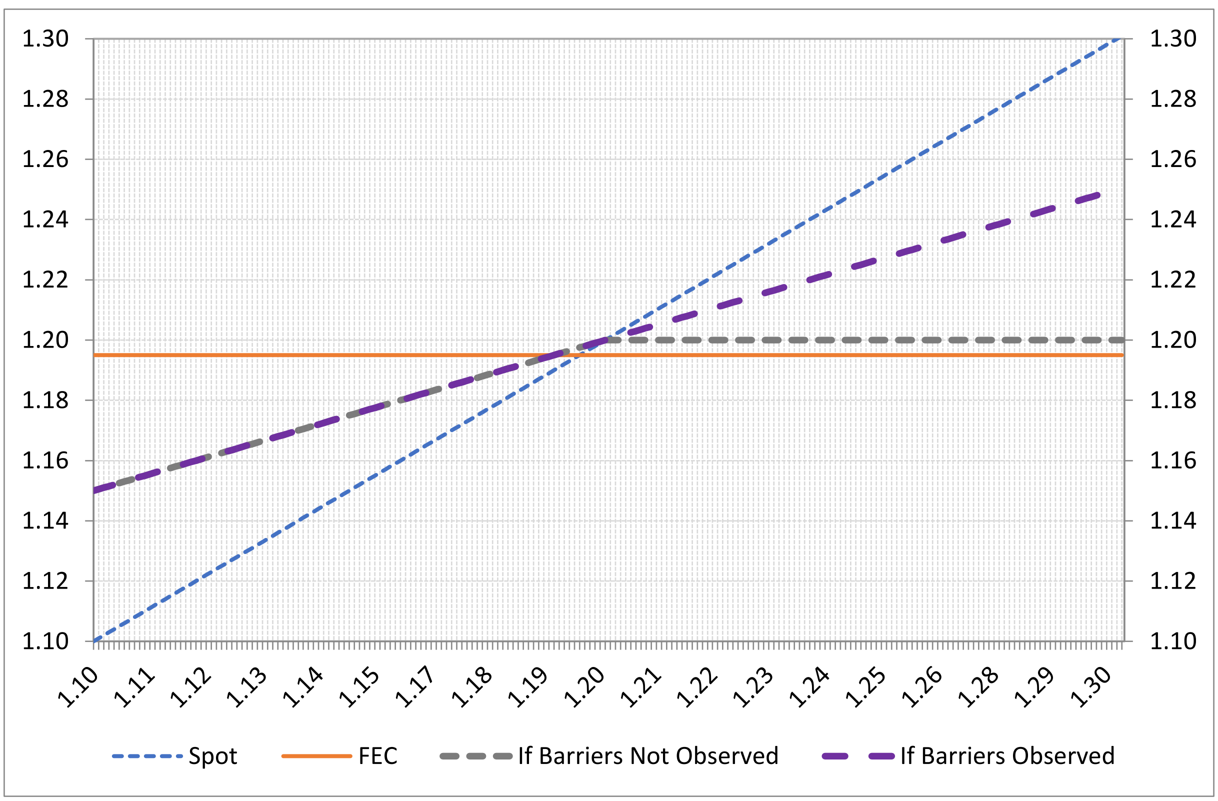
The importer enters into a Leveraged Knock-Out Participator with the following terms:

Protected Amount	$50,000
Leveraged Amount	$100,000
Protection Rate	1.2000
Knock Out Rate	1.1590
Participation Percentage	50%
Expiry Date	6 months

The possible outcomes on expiry are as follows:

- If the EURUSD Spot Rate is trading at or below the Protection Rate of 1.2000, the importer will have the right, but no obligation to sell EUR and buy the Protected Amount of USD 50,000 at 1.2000. He would need to buy the remainder in the spot market.
- If the EURUSD rate is trading above the Protection Rate of 1.2000 and has not traded at or beyond the Knock Out Rate of 1.5750 during the life of the contract, Convera will exercise both of its Call Options and the importer will be obliged to sell EUR and buy USD 25,000 and 75,000 (total 100,000) at 1.2000.
- If the EURUSD rate has traded at or below the Knock Out Rate of 1.1590 during the life of the contract, Convera's Call option for USD 75,000 will cease to exist. This means that, if the EURUSD rate subsequently recovers and is trading above the Protection Rate at 1.2000, the importer will still be obligated to deal USD 25,000 at $1.2000 but will be free to trade the remainder at the prevailing Spot Rate – should he choose to do so. In this instance, the potential 'upside' is unlimited.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Disadvantages of a Leveraged Knock Out Participator

- **As well as the disadvantages listed in 4.9.3.11, the Leveraged Knock Out Participator**

does not offer full protection. With a non-Leveraged Knock Out Participator, if your requirement is $100,000, you hedge $100,000. With the leveraged variety, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.

- **When dealing a leveraged option, you are amplifying your exposure to market movements either through being obligated to deal the larger amount should markets move favourably, or having less cover in place if the market moves against you. As such, you should ensure you have considered these risks before trading.**

4.4.13 Ratio

General Product Information

A Ratio is a Structured Option that gives you the ability to trade at an enhanced Foreign Exchange Rate relative to a comparative Forward Exchange Contract ('**Enhanced Rate'**). A Ratio will always provide you with a guaranteed worst case rate allowing you to protect against the risk that the Spot Rate is less favourable on expiry of the contract.

Because there is a ratio (or leveraged) component associated with this Structured Option you may be obliged to exchange an amount of currency that is greater than the Contracted notional contract amount (i.e. the contract amount multiplied by the ratio factor.)

How a Ratio Works

A Ratio is structured by entering into two concurrent options. In the first you buy a Put Option from Convera giving you the right, but no obligation, to sell the Protected Amount of currency to Convera at the Enhanced Rate. In the second you sell a Call Option to Convera which will oblige you to trade a larger sum at the Enhanced Rate (known as the '**Leveraged Amount**') if the underlying spot price is at or above the Enhanced Rate at the Expiry Time on the Expiry Date. This Leveraged Amount will be equal to the Protected Amount of the Put Option multiplied by the Ratio. The maximum permitted Ratio is 2:1.

Example of a Ratio

A Luxembourgian importer wants to hedge USD100,000 for delivery in 6 months. This represents around half of his total exposure. The current EUR/USD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer has a budget rate of 1.2000 and is afraid that the rate will move further against him in the coming months, although he still feels EUR is undervalued and may recover at some stage. He doesn't want to fix all of his requirement at the prevailing forward rate and therefore miss his budget.

The importer therefore enters into a Ratio with the following terms:

Enhanced Rate	1.2050
Contract Amount	USD 100,000
Contingent Amount	USD 200,000
Ratio (Bought: Sold)	1:2
Expiry Date	6 months

The possible outcomes on expiry are as follows:

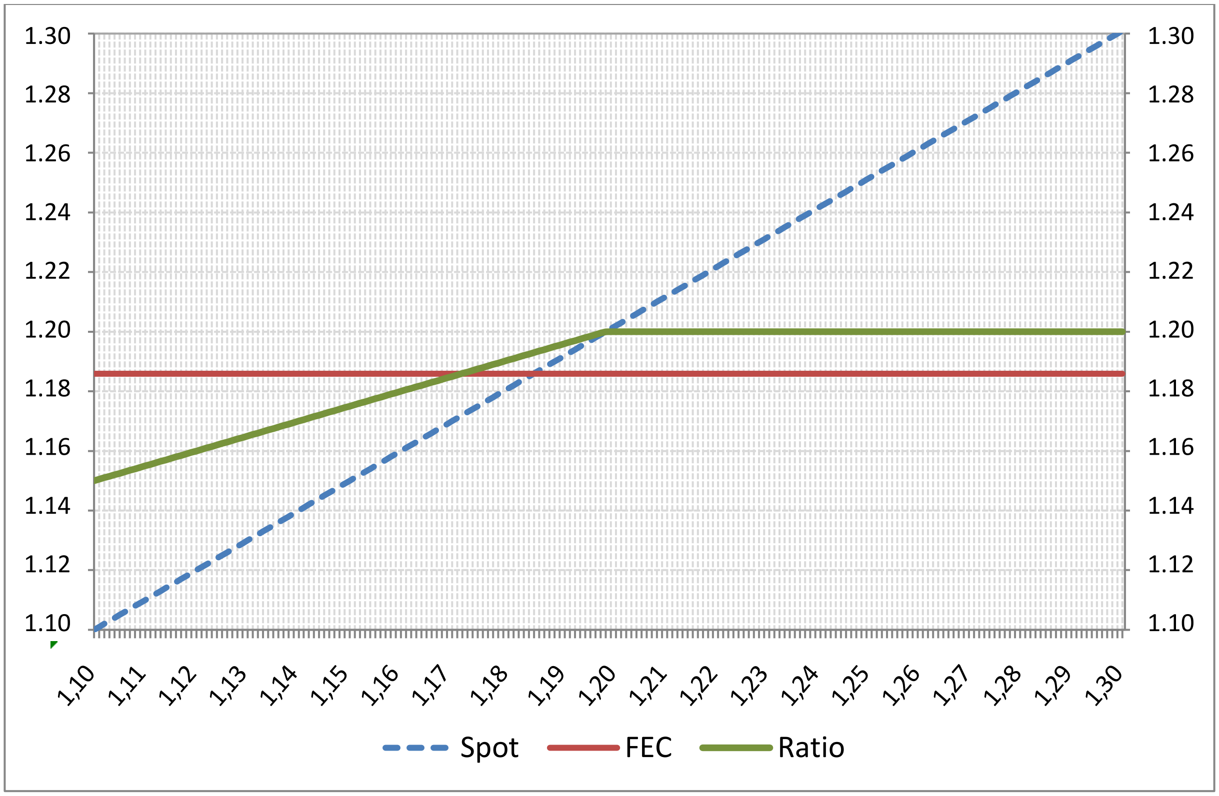
- If the Spot Rate is below 1.2050 the importer will have the right, but no obligation to sell EUR and buy the Protected Amount of USD 100,000 at the enhanced rate of 1.2050.
- If the Spot Rate is at or above 1.2050, Convera will exercise its Call Option and the importer will be obliged to sell EUR and purchase the Leveraged Amount of USD 200,000 at the Enhanced Rate – 1.2050.

For an exporter the outcomes are much the same except the structure consists of buying a Call Option for the Contracted amount at the Enhanced Rate and selling a Put Options for the Contingent amount, also at the Enhanced Rate.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Ratio

- Ability to achieve an enhanced rate relative to the comparative Forward Exchange Contract rate.
- Protection at all times with a known worst case exchange rate.
- No premium payable.

Disadvantages of a Ratio

- **You may be obliged to trade a multiple of the Contracted notional value at the Enhanced Rate if the Spot Rate exceeds the Enhanced Rate at the Expiry Time on the Expiry Date.**
- **You are unable to effectively hedge the entire amount of your exposure without risking being 'over-hedged'.**
- **You are unable to participate in favourable currency movements beyond the Enhanced Rate. As such you may be obliged to trade at an exchange rate that is less favourable than the current market rate at expiry.**
- **If the Spot Rate exceeds the Enhanced Rate prior to the Expiry Date by a sufficient degree, Convera may make a Margin Call to secure your out of the money position. For more information on Margin Calls please see Section 6 below and our Terms and Conditions.**

4.4.14 **Knock Out**

General Product Information

The Knock Out is a Structured Option which allows the buyer to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated Foreign Exchange Rate (the **Enhanced Rate**) which is typically be more favourable than the equivalent forward rate. The buyer will deal at that rate regardless of whether the underlying spot rate is higher or lower at expiry provided that a barrier at a specified Knock Out Rate has not been observed during the term of the structure. If this barrier is observed before the expiry date, the structure will terminate and the buyer will be left without any hedge in place. As a result, this is considered a higher risk product.

How a Knock Out Works

A Knock Out is structured by entering into two concurrent options. In the first, you buy a Put Option from Convera, giving you the right, but no obligation to sell the Contracted notional value of currency to Convera at the Enhanced Rate on the Expiry Date. In the second, you sell a Call Option to Convera, also at the Enhanced Rate. This option will oblige you to sell the Contracted notional value of currency to Convera at the Enhanced Rate, should the underlying Spot Rate exceed that level at expiry. Both of these options will be subject to a Knock Out barrier which can be observed constantly, during a specified window, or at expiry. If the underlying spot rate trades at or beyond the barrier rate during the relevant period, the option will terminate (be Knocked Out) in its entirety, leaving the buyer with no Protection or obligation. The buyer would therefore need to re-hedge at the prevailing market rate which could be considerably less favourable than the terms offered by the original hedge.

Example of a Knock Out

A Luxembourgian importer needs to buy USD 100,000 a month over the next 6 months. The current EURUSD Spot Rate is 1.1882 and the equivalent Forward Exchange Rate is 1.1849. The importer has a budget rate of 1.2000 and is not willing to take out any hedge that may obligate him to settle at a rate lower than this. He expects volatility to remain low and is wary about simply placing a market order to buy at 1.2000 as the rate may not rise that high.

The importer enters into a Knock-Out with the following terms:

Notional Amount	$100,000
Enhanced Rate	1. 2150
Knock Out Rate	1.1390
Expiry Date	6 months

The possible outcomes on expiry are as follows:

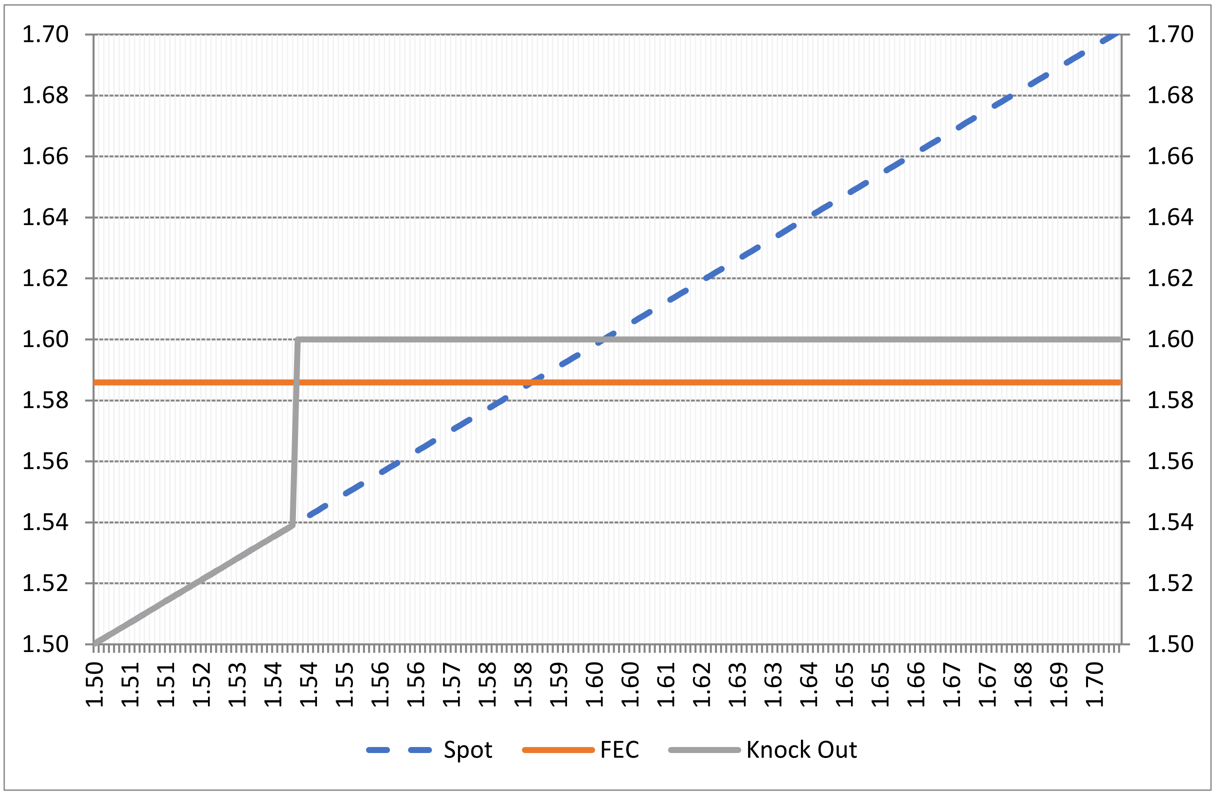
- If the EURUSD Rate is trading at or below the Enhanced Rate of 1.2150 and has not traded at or below the Knock Out rate of $1.5400 during the life of the contract, the importer will have the right, but no obligation to sell EUR and buy USD 100,000 at 1.2150.

- If the EURUSD rate is trading above the Enhanced Rate of 1.2150 and has not traded at or beyond the Knock Out Rate of $1.1390 during the life of the contract, the importer will be obliged to sell EUR and buy USD100,000 at 1.2150.
- If the EURUSD rate has traded at or below the Knock Out Rate of 1.1390 during the life of the contract, the structure ceases to exist in its entirety. This means the buyer will have to re-hedge at prevailing market rates (sub $1.1390) or remain un-hedged until the rate recovers.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Knock Out

- Enhanced Rate that is more favourable than the prevailing forward rate provided the Knock Out Rate has not been observed.
- No premium payable.

Disadvantages of a Knock Out

- **If the Knock Out Rate is observed the option will cease to exist and the buyer will be left without protection and exposed to the prevailing market conditions.**
- **If the Spot Rate on the Expiry Date is more advantageous than the Enhanced Rate and the Knock Out Rate has not been observed you will be obliged to trade at a rate that is less advantageous than the Spot Rate on the Expiry Date.**
- **If, prior to the Expiry Date the underlying Spot Rate exceeds the Enhanced Rate by a sufficient amount and the barrier at the Knock Out Rate has not been observed Convera may make a Margin Call to secure your out-of-the-money position. For more information on Margin Calls please see section 6 below and please also refer to our Terms and Conditions.**

4.4.14.1 Knock Out – Window

The Knock Out – Window differs from the standard Knock Out by having the barriers only observed during a specified observation period or window. This is often, but not necessarily, the month before expiry. The barriers are only live during this period so the market can exceed the barrier levels outside the window period with no effect on the option. In exchange for having a reduced observation period, the Enhanced Rate and / or Knock Out barrier levels may be less favourable than with a standard Knock Out.

4.4.14.2 Knock Out – At Expiry

The Knock Out – At Expiry differs from the standard Knock Out by having the barrier only observed on expiry. This means the market can exceed the barrier level at any point up to, but not including, the point of expiry with no effect on the option. In exchange for having the barrier only observed at the point of expiry, the Enhanced Rate and / or Knock Out barrier levels may be less favourable than with a standard Knock Out.

4.4.14.3 Leveraged Knock Out

The Leveraged Knock Out works in the same way as the non-leveraged version, in that you have a fixed Enhanced Rate at the outset providing protection against unfavourable movements in the Spot Rate. Should the Knock Out Rate be observed the option will cease to exist leaving the buyer without protection. The main difference is the amount that you will be obliged to deal if the Spot Rate is more favourable than your Enhanced Rate at expiry. In order to achieve a more favourable Enhanced Rate or a Knock Out Rate that is less likely to be observed, you will be obliged to deal the Leveraged Amount at the Enhanced Rate in this instance.

Example of a Leveraged Knock Out

A Luxembourgian importer needs to buy USD100,000 in 6 months. The current EURUSD Spot Rate is 1.8882 and the Forward Exchange Rate is 1.8849. The importer has a budget rate of 1.2225 and is not willing to take out any hedge that may obligate him to settle at a rate lower than this. He expects volatility to remain low but believes the rate is likely to move against him and could fall to 1.1100. He is wary about simply placing a market order to buy at 1.2225 as the rate may not rise that high and also does not want to be left un-protected if his expectations prove correct. He is willing to accept a solution that will obligate him to deal a larger amount at $1.2225 if spot is more favourable at expiry as he has ongoing requirements.

The importer enters into a Leveraged Knock-Out with the following terms:

Protected Amount	\$100,000
Leveraged Amount	\$200,000
Enhanced Rate	1.2225
Knock Out Rate	1.1190
Expiry Date	6 months

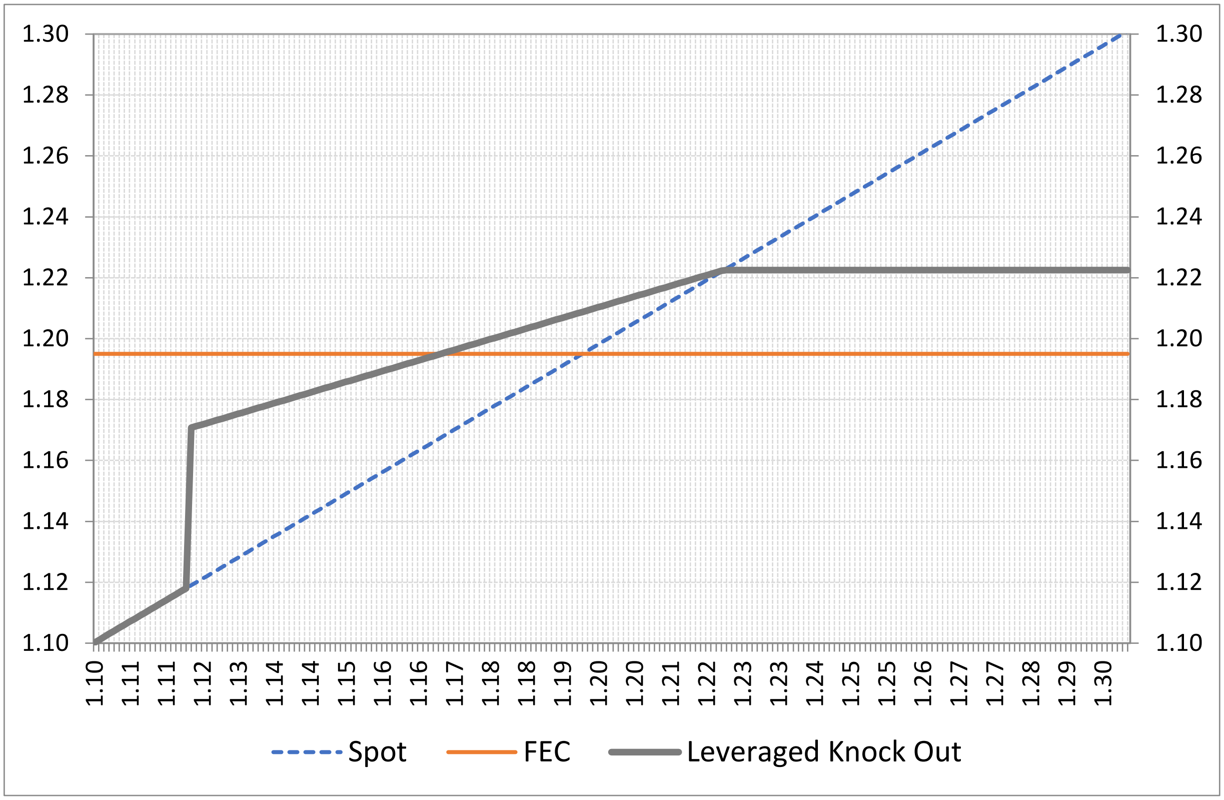
The possible outcomes on expiry are as follows:

- If the EURUSD Rate is trading at or below the Enhanced Rate of $1.2225 and has not traded at or below the Knock Out rate of $1.1190 during the life of the contract, the importer will have the right, but no obligation to sell EUR and buy USD 100,000 at $1.2225.
- If the EURUSD rate is trading above the Enhanced Rate of $1.2225 and has not traded at or beyond the Knock Out Rate of $1.1190 during the life of the contract, the importer will be obliged to sell EUR and buy the Leveraged Amount of USD 200,000 at $1.2225.
- If the EURUSD rate has traded at or below the Knock Out Rate of $1.1190 during the life of the contract, the structure ceases to exist in its entirety. This means the buyer will have to re-hedge at prevailing market rates (sub $1.1190) or remain un-hedged until the rate recovers.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Disadvantages of a Leveraged Knock Out

- **As well as the disadvantages listed above, the leveraged knock out does not offer full protection. With a non-leveraged knock out, if your requirement is $100,000, you hedge $100,000. With the leveraged variety, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.**
- **When dealing a leveraged option, you are amplifying your exposure to market movements either through being obligated to deal the larger amount should markets move favourably, or having less cover in place if the market moves against you. As such, you should ensure you have considered these risks before trading.**

4.4.15 Knock Out Collar

General Product Information

The Knock Out Collar is a Structured Option which allows the buyer to protect against the risk that the Spot Exchange Rate will be less favourable than a nominated worst case rate known as the **Protection Rate**. It also gives the opportunity to participate in favourable movements in the Spot Exchange Rate between the Protection Rate and a given best case rate known as the **Participation Rate**. The protection offered by this option remains in place provided that a barrier at a specified Knock Out Rate has not been observed during the term of the structure. If this barrier is observed before the expiry date, the structure will terminate and the buyer will be left without any hedge in place. As a result, this is considered a higher risk product.

How a Knock Out Collar Works

A Knock Out Collar is structured by entering into two concurrent options. In the first, you buy a Put Option from Convera, giving you the right, but no obligation to sell the Contracted notional value of currency to Convera at the Protection Rate on the Expiry Date. In the second, you sell a Call Option to Convera, which will oblige you to sell the Contracted notional value of currency to Convera at the Participation Rate, should the underlying Spot Rate exceed that level at expiry. Both of these options will be subject to a Knock Out barrier which can be observed constantly, during a specified window, or at expiry. If the underlying spot rate trades at or beyond the barrier rate during the relevant period, the option will terminate (be Knocked Out) in its entirety, leaving the buyer with no Protection or obligation. The buyer would therefore need to re-hedge at the prevailing market rate which could be considerably less favourable than the terms offered by the original hedge.

Example of a Knock Out Collar

A Luxembourgian importer needs to buy USD 100,000 a month over the next 6 months. The current EURUSD Spot Rate is 1.1600 and the equivalent Forward Exchange Rate is 1.1849. The importer has a budget rate of 1.1600 and is not willing to take out any hedge that may obligate him to settle at a rate lower than this. He expects volatility to remain low to moderate, but strongly believes that the rate is more likely to move in his favour, so would like the ability to take advantage of this. A standard Collar offers participation up to $1.2100 but the importer believes there may be more upside than this.

The importer enters into a Knock-Out Collar with the following terms:

Notional Amount	$100,000
Protection Rate	1.1900
Participation Rate	1.2200
Knock Out Rate	1.1190
Expiry Date	6 months

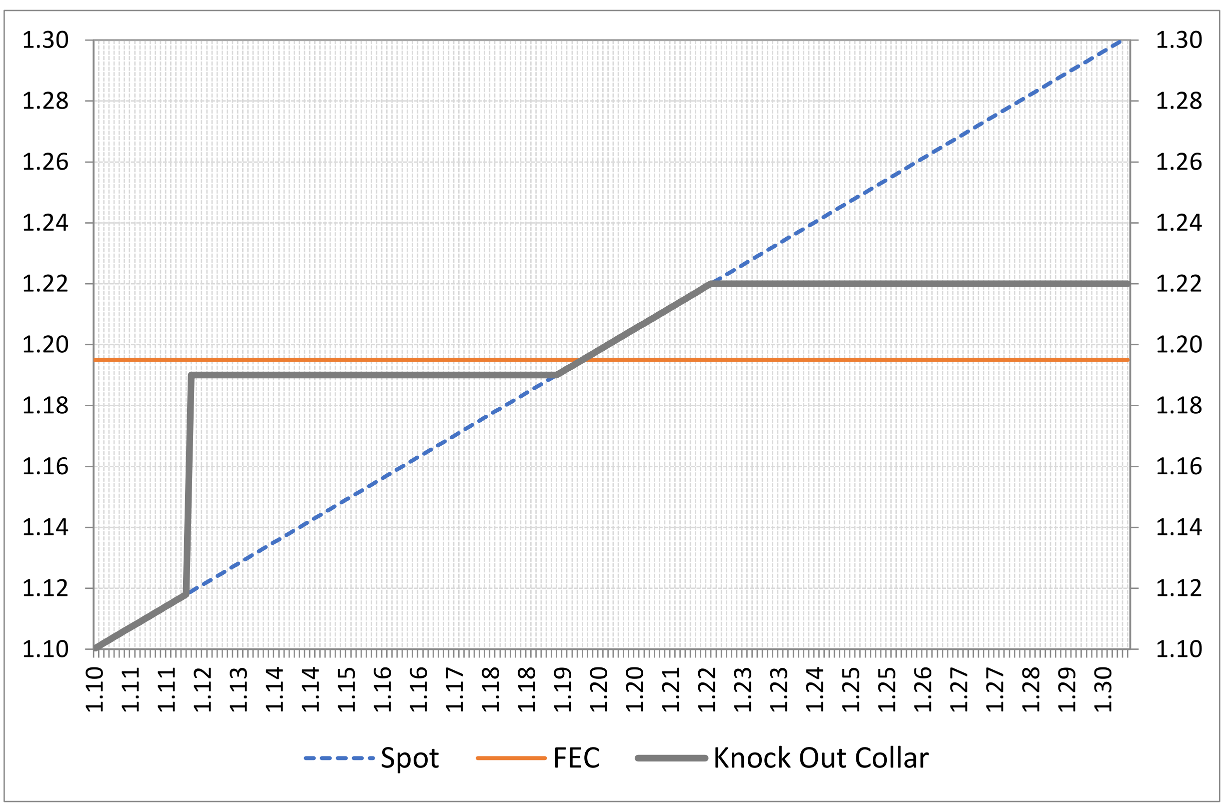
The possible outcomes on expiry are as follows:

- If the EURUSD Rate is trading at or below the Protection Rate of $1.1900 and has not traded at or below the Knock Out Rate of $1.1190 during the life of the contract, the importer will have the right, but no obligation to sell EUR and buy USD 100,000 at $1.1900.
- If the EURUSD Rate is trading between the Protection Rate of $1.1900 and the Participation Rate of $1.2200 and has not traded at or below the Knock Out Rate of $1.1190 during the life of the contract, the importer will be free to deal as much or as little as desired at the prevailing spot rate.
- If the EURUSD rate is trading above the Participation Rate of $1.2200 and has not traded at or beyond the Knock Out Rate of $1.1190 during the life of the contract, the importer will be obliged to sell EUR and buy USD100,000 at $1.2200.
- If the EURUSD rate has traded at or below the Knock Out Rate of $1.1190 during the life of the contract, the structure ceases to exist in its entirety. This means the buyer will have to re-hedge at prevailing market rates (sub $1.1190) or remain un-hedged until the rate recovers.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Advantages of a Knock Out Collar

- Protection Rate and or Participation Rate will be more favourable than a standard Collar option.
- No leverage required
- No premium payable.

Disadvantages of a Knock Out Collar

- **If the Knock Out Rate is observed the option will cease to exist and the buyer will be left without protection and exposed to the prevailing market conditions.**
- **If the Spot Rate on the Expiry Date is more advantageous than the Participation Rate and the Knock Out Rate has not been observed you will be obliged to trade at a rate that is less advantageous than the Spot Rate on the Expiry Date.**
- **If, prior to the Expiry Date the underlying Spot Rate exceeds the Participation Rate by a sufficient amount and the barrier at the Knock Out Rate has not been observed Convera may make a Margin Call to secure your out-of-the-money position. For more information on Margin Calls please see section 6 below and please also refer to our Terms and Conditions.**

4.4.15.1 Knock Out Collar – Window

The Knock Out Collar – Window differs from the standard Knock Out Collar by having the barriers only observed during a specified observation period or window. This is often, but not necessarily, the month before expiry. The barriers are only live during this period so the market can exceed the barrier levels outside the window period with no effect on the option. In exchange for having a reduced observation period, the Enhanced Rate and / or Knock Out Collar barrier levels may be less favourable than with a standard Knock Out Collar.

4.4.15.2 Knock Out Collar – At Expiry

The Knock Out Collar – At Expiry differs from the standard Knock Out Collar by having the barrier only observed on expiry. This means the market can exceed the barrier level at any point up to, but not including, the point of expiry with no effect on the option. In exchange for having the barrier only observed at the point of expiry, the Enhanced Rate and / or Knock Out Collar barrier levels may be less favourable than with a standard Knock Out Collar.

4.4.15.3 Leveraged Knock Out Collar

The Leveraged Knock Out Collar works in the same way as the non-leveraged version, in that you have a specified Protection and Participation Rate at the outset, although at more favourable levels than the non-leveraged variant. Should the Knock Out Rate be observed the option will cease to exist leaving the buyer without protection. The main difference is the amount that you will be obliged to deal if the Spot Rate is more favourable than your Participation Rate at expiry. In order to achieve a more favourable Protection Rate, Participation Rate and/or Knock Out Rate that is less likely to be observed, you will be obliged to deal the Leveraged Amount at the Participation Rate in this instance.

Example of a Leveraged Knock Out Collar

A Luxembourgian importer needs to buy USD100,000 in 6 months. The current EURUSD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer has a budget rate of 1.2050 and is not willing to take out any hedge that may obligate him to settle at a rate lower than this. He is willing to accept a leveraged solution as he has ongoing requirements. He expects volatility to remain low to moderate, but strongly believes that the rate is more likely to move in his favour, so would like the ability to take advantage of this. A Leveraged Collar offers participation up to $1.2200 but the importer believes there may be more upside than this.

The importer enters into a Leveraged Knock-Out Collar with the following terms:

Protected Amount	$100,000
Leveraged Amount	$200,000
Protection Rate	1.2050
Participation Rate	1.2350
Knock Out Collar Rate	1.1190
Expiry Date	6 months

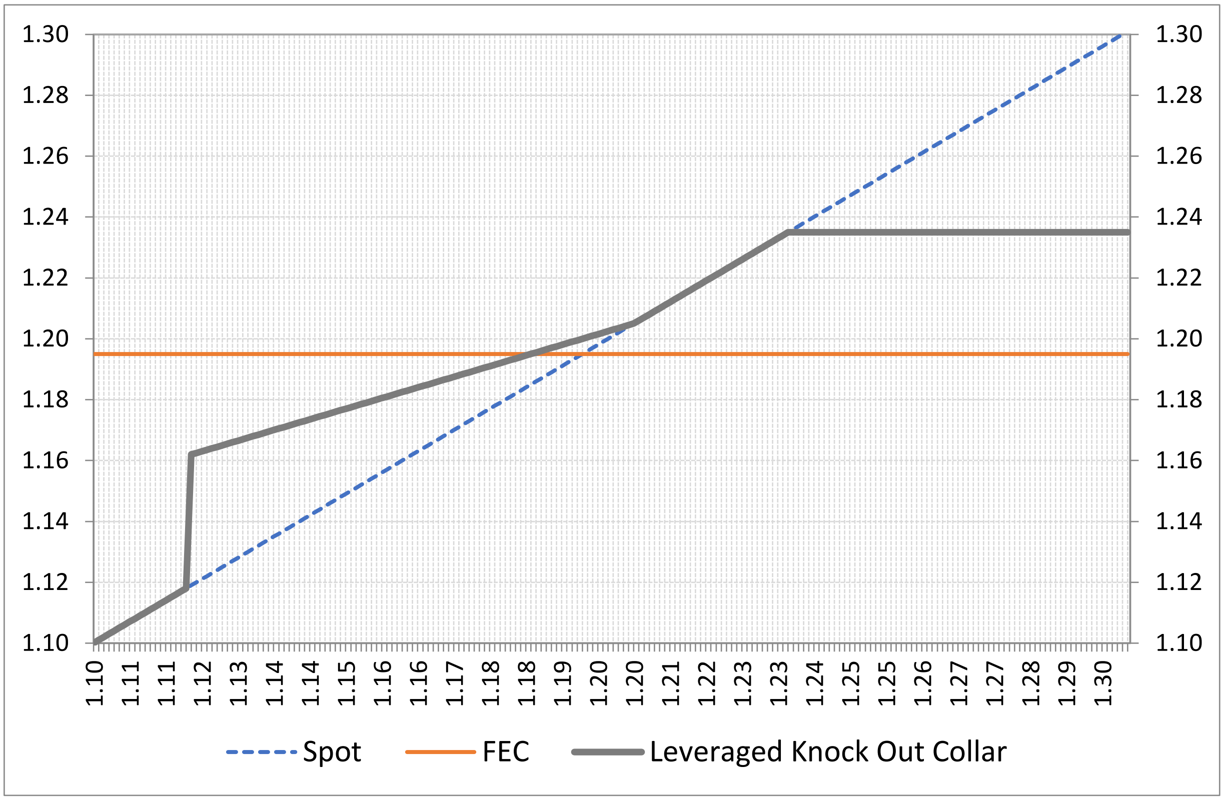
The possible outcomes on expiry are as follows:

- If the EURUSD Rate is trading at or below the Protection Rate of $1.2050 and has not traded at or below the Knock Out Rate of $1.1190 during the life of the contract, the importer will have the right, but no obligation to sell EUR and buy USD 100,000 at $1.2050.
- If the EURUSD Rate is trading between the Protection Rate of $1.2050 and the Participation Rate of $1.2350 and has not traded at or below the Knock Out Rate of $1.1190 during the life of the contract, the importer will be free to deal as much or as little as desired at the prevailing spot rate.
- If the EURUSD rate is trading above the Participation Rate of $1.2350 and has not traded at or beyond the Knock Out Rate of $1.1190 during the life of the contract, the importer will be obliged to sell EUR and buy USD200,000 at $1.2350.
- If the EURUSD rate has traded at or below the Knock Out Rate of $1.1190 during the life of the contract, the structure ceases to exist in its entirety. This means the buyer will have to re-hedge at prevailing market rates (sub $1.1190) or remain un-hedged until the rate recovers.

Note: The examples are indicative only and the rates and other details used are not factual.

You should not purchase complex financial products such as FX Forwards or options as long as you do not understand the nature of the contract, of your commitments and of your exposure at risk and, in addition, you do not make sure that the contract, in which you made a commitment, corresponds to your skills, your objectives or your financial resources.

For illustration, the pay-out profile of this product versus the equivalent forward looks as follows:



Additional Disadvantages of a Leveraged Knock Out Collar

- **As well as the disadvantages listed in section 5.3.15 above, the Leveraged Knock Out Collar does not offer full protection. With a non-leveraged Knock Out Collar, if your requirement is $100,000, you hedge $100,000. With the leveraged variety, you can either hedge $50,000 and potentially be obliged to deal the full $100,000 meaning you've only covered half of your risk, or you can hedge $100,000 but risk being obliged to deal $200,000 which would exceed your exposure and leave you over-hedged.**
- **When dealing a leveraged option, you are amplifying your exposure to market movements either through being obligated to deal the larger amount should markets move favourably, or having less cover in place if the market moves against you. As such, you should ensure you have considered these risks before trading.**

4.4.16Target Accrual Redemption Forward (TARF)

General Product Information

A Target Accrual Redemption Forward (TARF) allows the Buyer to hedge (buy/sell) their foreign currency requirement at an agreed Enhanced Rate that is more favourable than the prevailing forward rate for a number of fixing dates. On each fixing date, a profit figure is calculated if the agreed independent spot reference rate is less favourable than the Enhanced Rate, and compared to a specified Target Amount. This can either be a monetary figure (eg €25,000) or, more commonly, a number of ‘pips’ of out-performance versus the market. The TARF will continue until the total accumulated profit reaches the set Target. If this Target is exceeded on any fixing date, the Enhanced Rate or Notional Amount will be adjusted for this fixing to ensure the total profit equals the Target, but no more than this. The TARF is then considered redeemed and no further deliveries take place. Should the spot rate be more favourable than the Enhanced Rate on a fixing date, the client will be obligated to deal the maximum notional amount at the enhanced rate for that month (this can be the same as the notional when rate is less favourable than the Enhanced Rate on a non-leveraged TARF, or 2 x notional if Leveraged). Assuming the TARF has not been redeemed early, the structure will run to the final expiry date as per a normal option.

At the trade date, the following variables will be agreed between the client and Convera:

- the Notional Value;
- the denomination of the currency being exchanged;
- the Ratio (Leverage);
- the Expiry Date;
- the Fixing frequency;
- the Enhanced Rate;
- the Target Amount

At each fixing date, the spot reference rate is compared against the Enhanced Rate. If the spot rate is less favourable than the Enhanced Rate, the difference between the two rates will be deducted from the Target Amount.

This is calculated as Monthly notional amount x enhanced rate – monthly notional amount x spot reference rate for a monetary target or Enhanced Rate +/- spot reference rate for ‘pips’ of outperformance.

This process will continue each expiry until the Target Amount is exhausted. At this point all remaining fixings will be cancelled. If the spot reference rate is more favourable than the Enhanced Rate on a fixing date, the buyer will transact at the enhanced rate for the agreed Notional Value or a ratio thereof if applicable – no points will be deducted from the Target Amount in this eventuality

Example of a TARF

The examples below are for information purposes only and use rates and figures that we have selected to demonstrate how a TARF works and are not recommendations. In order to assess the merits of a particular TARF you should use the actual rates and figures quoted at the relevant time, and consider all the risks associated with the product as described in this PDS.

A Luxembourgian importer needs to buy USD 600,000 a month over the next 6 months. The current EURUSD Spot Rate is 1.1882 and the equivalent Forward Exchange Rate is 1.1849. The importer has a budget rate of 1.2100 and is not willing to take out any hedge that may obligate him to settle at a rate lower than this. He expects volatility to remain low and is wary about simply placing a market order to buy at 1.2100 as the rate may not rise that high. He is also willing to take the risk that he may not be able to buy the full USD 600,000 at 1.2100 or that he may be obligated to take the full amount at 1.6100 should EUR/USD appreciate. He would like to start to get some cover in sooner rather than later for budgeting/ planning purposes.

The importer enters into a TARF with the following terms:

Enhanced Rate	1.2100
Target Amount	900 pips
Fixing /Expiry Dates	Monthly / 6 Months
Maximum Notional Value	USD 600,000

Examples of the possible outcomes are as follows:

- On the first fixing, EUR/USD is trading at $1.1900. The importer sells EUR and buys $100,000 at $1.2100 and his Target Amount is reduced by 200 pips to 700.

- On the second fixing EUR/USD is trading at $1.2200. The importer sells EUR and buys $100,000 at $1.6100. The Target Amount is unaffected.

- On the third fixing EUR/USD is trading at $1.1500. The importer sells EUR and buys $100,000 at $1.6100. The Target Amount is reduced by 600 pips, with just 100 left.

- At fixing number four, EUR/USD is trading at $1.1900. As the importer only has 100 pips left in the Target Amount, there are two outcomes depending on the terms agreed at the outset.

    - In the first, he buys $100,000 at $1.2000 (spot ref plus 100 pips).
    - in the second, he deals $50,000 at $1.6100 (remaining points divided by enhanced rate minus spot ref).

    In both cases, fixings 5 and 6 are cancelled and the option terminates.

At this point, the importer can either enter into a new TARF to continue to outperform the market and buy at his budget rate of $1.2100, or he can buy a different hedge based on his objectives at that stage.

If the Target Amount had not been used up early, the importer would continue to deal at $1.2100 to month 6 and any remaining Target Amount then expires worthless.

Advantages of a TARF

- Ability to achieve an enhanced rate over the comparative Forward Exchange Rate until the Target Amount is utilized.
- Enhanced rate likely to be more favourable than other leveraged products
- A degree of protection is guaranteed from the outset, the buyer will always receive a benefit versus the spot rate to the value specified in the Target Amount or be obligated to deal at the Enhanced Rate should the spot rate be more favourable.
- Favourable mark to market profile compared to other hedge products reducing chances of margin call.
- No premium payable.

Disadvantages of a TARF

- **The notional value traded at the Enhanced Rate may be substantially less than the full notional value of the contract.**
- **If insufficient cover is achieved, the buyer will need to buy any remaining requirement in the spot market, which may be at a level much less advantageous than the Enhanced Rate, or buy another hedge product.**
- **The buyer of the TARF will be obliged to buy any obligated value at the Enhanced Rate and cannot participate in any favourable moves beyond that level for that amount.**
- **If the underlying Spot Rate is trading at a rate that is sufficiently more advantageous than the Enhanced Rate during the term of the structure, Convera may make a Margin Call to secure Your out of the money position. For more information on Margin Calls please see section 6 below or refer to our Terms and Conditions.**
- **As this product tends to have a longer tenor (12 months +) there is a higher risk, when compared to a forward, that the Enhanced Rate will no longer seem attractive compared to the prevailing spot rate by the time the contract runs its course. A buyer should therefore ensure that the duration of this product and the Enhanced Rate are commensurate with business requirements over this time horizon. There is no cooling off period.**

4.4.16.1 Leveraged TARF

A Leveraged TARF works in much the same way as the TARF, but with one important difference. If, at a fixing date, the reference Spot Rate is more favourable than the Enhanced Rate, the buyer will be obligated to deal the Leveraged Amount at the Enhanced Rate for that fixing. Once again, the Target Amount is unaffected should this happen, which means that, if the rate remains more favourable than the Enhanced Rate for a prolonged period, the Buyer will not only not be able to Participate, they will be obligated to deal a larger amount. This is typically 2x the Notional Amount, but the exact Ratio will be agreed by you and Convera at the trade date. This is done to further improve the Enhanced Rate, or to increase the amount of outperformance in the Target Amount.

Example

A Luxembourgian importer needs to buy USD 1,200,000 a month over the next 12 months. The current EURUSD Spot Rate is 1.1882 and the equivalent Forward Exchange Rate is 1.1849. The importer has a budget rate of 1.2400 and is not willing to take out any hedge that may obligate him to settle at a rate lower than this. He expects volatility to remain low and is wary about simply placing a market order to buy at 1.2400 as the rate may not rise that high. He is also willing to take the risk that he may not be able to buy the full USD 1,200,000 at 1.2400 as he currently does not have any cover anyway, or that he may be obligated to take the full $2,400,000 at 1.2400 should EUR/USD appreciate as this is in line with his budget. He would like to start to get some cover in sooner rather than later for budgeting/ planning purposes.

The importer enters into a TARF with the following terms:

Enhanced Rate	1.2400
Target Amount	2000 pips
Fixing / Expiry Dates	Monthly – 12 Months
Maximum Notional Value	USD 2,400,000

Examples of the possible outcomes are as follows:

- On the first fixing, EUR/USD is trading at $1.2000. The importer sells EUR and buys $100,000 at $1.2400 and his Target Amount is reduced by 400 pips to 1600.

- On the second fixing EUR/USD is trading at $1.2250. The importer sells EUR and buys $100,000 at $1.2400. The Target Amount is reduced by 150 pips to 1450.
- On the third fixing EUR/USD is trading at $1.2500. The importer sells EUR and buys $200,000 at $1.2400. The Target Amount is unaffected.
- On the fourth fixing, EUR/USD is trading at $1.2600. The importer again sells EUR and buys $200,000 at $1.2400 and his Target Amount is unaffected.

- On the fifth fixing EUR/USD is trading at $1.2000. The importer sells EUR and buys $100,000 at $1.2400. The Target Amount is reduced by 400 pips to 1050.
- On the sixth fixing EUR/USD is trading at $1.1800. The importer sells EUR and buys $100,000 at $1.2400. The Target Amount is reduced by 600 pips to 450 left.
- On the seventh fixing, EUR/USD is trading at $1.2100. The importer sells EUR and buys $100,000 at $1.2400 and his Target Amount is reduced by 300 pips to 150.

- At fixing number eight, EUR/USD is trading at $1.2000. As the importer only has 150 pips left in the Target Amount, depending on the terms agreed at the outset, he buys $100,000 at $1.2150 (spot ref plus 150 pips) or he buys $37,500 at $1.2400 (remaining points divided by enhanced rate minus spot ref) and fixings 9, 10, 11 and 12 are cancelled.

At this point, the importer can either enter into a new TARF to continue to outperform the market and buy at his budget rate of $1.2400, or he can buy a different hedge based on his objectives at that stage.

If the Target Amount had not been used up early, the importer would continue to deal at $1.2400 to month 12 and any remaining Target Amount then expires worthless.

Additional disadvantages of a Leveraged TARF

- **As well as the disadvantages listed in the section describing the TARF, the Leveraged TARF has a reduced likelihood of offering full protection. With a non-leveraged TARF if your requirement is $100,000, you can deal $100,000 at the Enhanced Rate provided you have not utilized all of your Target Amount. However, with a Leveraged TARF, to deal the maximum amount at the Enhanced Rate, the Spot Rate will need to be more favourable than the Enhanced Rate at every fixing.**
- **When dealing a leveraged option, you are amplifying your exposure to market movements either through being obligated to deal the larger amount should markets move favourably, or having less cover in place if the market moves against you. As such, you should ensure you have considered these risks before trading.**
- **If the rate is more favourable than the Enhanced Rate, the buyer of the Leveraged TARF will be obliged to buy the Leveraged Notional Amount at the Enhanced Rate and cannot participate in any favourable moves beyond that level for that amount.**

4.4.17 Accumulator

General Product Information

The Accumulator Structured Option Product ("**Accumulator**") is a Structured Option which offers an Enhanced Rate at which to settle at expiry which, at inception, is more favourable than the Forward Exchange Rate. However, the amount the buyer will settle at the Enhanced Rate will be dependent on the path of the Spot Rate determined at certain times during the life of the contract.

How an Accumulator Works

The Accumulator is a pre-packaged product that is built using a series of Barrier Options. At the trade date, the following variables will be agreed by you and Convera:

- the Notional Value;
- the denomination of the currency being exchanged;
- the Expiry Date;
- the Enhanced Rate;
- the Knock Out Rate; and
- the Fixings - the fixings are usually daily, but can also be weekly, monthly or based on other customised terms. These fixing points can commence immediately after the Accumulator is entered into and run throughout its life, or can start at a future date.

At each Fixing, the Spot Rate is referenced against the Knock Out Rate. If the Spot Rate is more favourable than the Knock Out Rate, the buyer will accumulate a forward position for the Accumulation Amount at the Enhanced Rate for that Fixing; however, if the Spot Rate is not more favourable than the Knock Out Rate at a subsequent Fixing, no Accumulation will occur in respect of such subsequent Fixing. If the Spot Rate is at or less favourable than the Knock Out Rate on a Fixing, the buyer will not accumulate anything for that Fixing; however, if the Spot Rate is once again more favourable than the Knock Out Rate at a subsequent Fixing, an accumulation will occur in respect of such subsequent Fixing.

The buyer can also specify the delivery terms. So, if the Accumulator runs for 6 months, the buyer can agree to take delivery of all Accumulation Amounts weekly, monthly or all together at the end of the Structured Option contract.

NOTE: This structure does not terminate until the Expiry Date. At this time, the buyer will be obliged to deal any accumulated Accumulation Amounts (whether already delivered or not) at the Enhanced Rate minus any Accumulation Amounts already delivered during the life of the Structured Option contract.

NOTE: The source of the reference Spot Rate (Fixing Reference) will be determined at the time of entering into a trade and specified in the Option Confirmation. It will, however, always be an independent source that can be verified by you or other external party on your behalf.

Example of an Accumulator

The examples below are for information purposes only and use rates and figures that we have selected to demonstrate how an Accumulator works and are not recommendations. In order to assess the merits of a particular Accumulator you should use the actual rates and figures quoted at the relevant time, and consider all the risks associated with the product as described in this PDS.

A Luxembourgian importer needs to buy USD100,000 a month over the next 6 months. The current EURUSD Spot Rate is 1.1882 and the equivalent Forward Exchange Rate is 1.1849. The importer has a budget rate of 1.2000 and is not willing to take out any hedge that may obligate him to settle at a rate lower than this. He expects volatility to remain low and is wary about simply placing a market order to buy at 1.2000 as the rate may not rise that high. He is also willing to take the risk that he may need to buy at the EURUSD Spot Rate where the EURUSD Spot Rate is at or below the Knock Out Rate. He would like to start to get some cover in sooner rather than later for budgeting/ planning purposes.

The importer enters into an Accumulator with the following terms:

Enhanced Rate	1.2000
Knock Out Rate	1.1400
Expiry Date	6 months
Maximum Notional Value	$600,000
Fixings	Daily (20 per month)
Accumulation Amount (per fixing)	$5,000
Fixing Start Date	Immediate
Delivery	Monthly

Examples of the possible outcomes are as follows:

- If the EURUSD Spot Rate is above the Knock Out Rate of $1.1400 at every Fixing in month one, the importer accumulates the obligation to buy $100,000 at the Enhanced Rate of $1.2000 (20 x $5,000) which it takes delivery of at month end. Note- if this happened every month, the buyer will have bought the full $600,000 at the Enhanced Rate of $1.2000.
- If the EURUSD Spot Rate is above the Knock Out Rate of $1.1400 on 15 of the Fixings and at or below the Knock Out Rate for 5 Fixings in month 2, at the end of the month, the importer will have accumulated the obligation to buy $75,000 at the Enhanced Rate of $1.2000 (15 x $5,000). In this instance, the importer will need to buy the remaining $25,000 at the less favourable prevailing EURUSD Spot Rate.
- If the EURUSD Spot Rate is at or below the Knock Out Rate of $1.1400 for all of month 3, the buyer will not accumulate any amount to deal at the Enhanced Rate of $1.2000 and so will need to buy his dollars in the spot market at the then prevailing EURUSD Spot Rate.

- If the EURUSD Spot Rate subsequently returns back above the Knock Out Rate of $1.1400 for all of month 4, the importer once again accumulates the obligation to deal $100,000 at the Enhanced Rate of $1.2000 (20 x $5,000) at the end of that month.

- In months 5 and 6, the rate remains above $1.2000 and the importer continues to accumulate the obligation to deal $5,000 per day at the Enhanced Rate of $1.2000 – even though the prevailing spot rate is more favourable.
- In the above Scenario, the importer will have traded $475,000 at the Enhanced Rate of $1.2000, but will have traded the other $125,000 in the spot market to cover the shortfall between the accumulated amount and his overall requirement.

Advantages of an Accumulator

- Ability to achieve an enhanced rate over the comparative Forward Exchange Rate so long as the underlying Spot Rate remains more favourable than the Knock Out Rate on all Fixings throughout the term of the Structured Option contract.
- No premium payable as a consequence of the terms of the Structured Option contract.

Disadvantages of an Accumulator

- **No guarantee that any protection will be accumulated.**
- **If insufficient cover is accumulated, the buyer will need to buy any remaining requirement in the spot market, which may be at a level much less advantageous than the Enhanced Rate and the Forward Exchange Rate.**
- **The buyer of the Accumulator will be obliged to buy any accumulated Accumulation Amounts at the Enhanced Rate and cannot participate in any favourable moves beyond that level for that amount. For example, if the Spot Rate moved beyond the Enhanced Rate by the first fixing and remained above the Enhanced Rate for the term of the contract, the buyer of the Accumulator will be obliged to deal the Maximum Notional Value at the Enhanced Rate and will not have been able to take advantage of the favourable move in the Spot Rate.**
- **If the Mark to Market value of the Accumulator exceeds a predetermined level in Convera's favour, given as a currency amount or a percentage of the contracted maximum Notional Value (which would be agreed with you prior to entering a contract – for example, USD 100,000 or 10%) we may seek a Margin Call from you as an offset to bring the Accumulator's risk exposure back to zero. For more information on Margin Calls please see section 6 below and please also refer to our Terms and Conditions.**
- **As this product tends to have a longer tenor (12 months +) there is a greater than usual risk that the Enhanced Rate will no longer seem attractive compared to the prevailing Spot Rate by the time the Structured Option contract runs its course. You should therefore ensure that the tenor of this product and the Enhanced Rate are commensurate with your business requirements over this time horizon and consistent with your financial planning. There is no cooling off period, in other words, once you have entered into the Accumulator, it will be effective and you will not have a period of time during which you are permitted to cancel the contract.**

4.4.17.1 Leveraged Accumulator

A Leveraged Accumulator works in much the same way as the Accumulator, but with one important difference. As well as being compared to the Knock Out Rate, the Spot Rate at each Fixing is also measured against the Enhanced Rate. This means that if at the Fixing, the Spot Rate is more favourable than the Knock Out Rate, but less favourable than or equal to the Enhanced Rate, the buyer will accumulate an obligation to deal the Accumulation Amount at the Enhanced Rate. However, if the Spot Rate is also more favourable than the Enhanced Rate, the buyer will accumulate on obligation to deal the Leveraged Amount at the Enhanced Rate. This is typically 2x the Accumulation Amount and the exact amount will be agreed by you and Convera at the trade date. This is done to further improve the Enhanced Rate, or to push the Knock Out Rate further away from the current market price ensuring a greater amount of Accumulation is likely to be achieved.

Example

A Luxembourgian importer needs to buy USD 200,000 a month over the next 6 months. The current EURUSD Spot Rate is 1.1882 and the Forward Exchange Rate is 1.1849. The importer wants to achieve a rate of 1.2250 – which is well above the current Spot Rate and the rate that can be achieved with other option products. He would like to deal at least 50% of his requirement at that level, but can manage with both more or less and will top up any shortfall with forward contracts or other options. He expects volatility to remain low and so agrees to a Knock Out Rate of $1.1400.

The importer enters into a Leveraged Accumulator with the following terms:

Enhanced Rate	1.2250
Knock Out Rate	1.1400
Expiry Date	6 months
Maximum Notional Value	$1,200,000
Fixings	Daily (20 per month)
Accumulation Amount	$5,000
Leveraged Amount	$10,000
Fixing Start Date	Immediate
Delivery	Monthly

Examples of the possible outcomes are as follows:

- If the EURUSD Spot Rate is above the Knock Out Rate of 1.1400 at every Fixing in month one, but below or at the Enhanced Rate of 1.2250, the importer accumulates the obligation to buy $100,000 at the Enhanced Rate of 1.2250 (20 x $5,000) which he takes delivery of at month end. Note- if this happened every month, the importer will have bought 50% of his requirement ($600,000) at 1.2250.
- If the EURUSD Spot Rate is above the Knock Out Rate of 1.1400 but below or at the Enhanced Rate of 1.2250 on 10 of the Fixings and then above the Enhanced Rate of 1.2250 on the other 10 Fixings in month 2, at the end of the month, the importer will have accumulated the obligation to buy $150,000 at the Enhanced Rate of 1.2250 (10 x $5,000 + 10x $10,000).
- If the EURUSD Spot Rate is above the Enhanced Rate of 1.2250 for all of month 3, the importer will accumulate an obligation to deal the full $200,000 requirement for that month at the Enhanced Rate of 1.2250 (20 x $10,000).
- If the EURUSD Spot Rate is subsequently above the Enhanced Rate of 1.2250 for 5 Fixings in month 4, at or below the Enhanced Rate of 1.2250 for 10 Fixings and below the Knock Out Rate of 1.1400 for the final 5 Fixings, the importer accumulates the obligation to deal $100,000 at the Enhanced Rate of 1.2250 at the end of that month (5 x $10,000, 10 x $5,000 and 5 x $0).
- In month 5, if the EURUSD Spot Rate is at or below the Knock Out Rate of 1.1400 for 15 Fixings and back above the Knock Out Rate of 1.1400 for 5 Fixings, the importer accumulates an obligation to deal $25,000 at 1.2250 (5 x $5,000).
- In month 6, if the EURUSD Spot Rate remains above the Knock Out Rate of 1.1400 and at or below the Enhanced Rate of 1.2250 throughout the month, the importer has a final obligation to buy $100,000 at the Enhanced Rate of 1.2250 (20 x $5,000) on the Expiry Date of the Leveraged Accumulator

- In this scenario, the importer has traded $675,000 at the Enhanced Rate of 1.2250, even though the EURUSD Spot Rate was below or at the Knock Out Rate of 1.1400 and no accumulation took place on 20 Fixings.

Additional disadvantages of a Leveraged Accumulator

- **As well as the disadvantages listed in the section describing the Accumulator, the Leveraged Accumulator has a reduced likelihood of offering full protection. With a non-leveraged Accumulator if your requirement is $100,000, you can accumulate $100,000 at the Enhanced Rate provided the underlying Spot Rate remains more favourable than the Knock Out Rate. However, with a Leveraged Accumulator, to accumulate the maximum amount at the Enhanced Rate, the Spot Rate will also need to be more favourable than the Enhanced Rate at every Fixing.**
- **The buyer of the Leveraged Accumulator will be obliged to buy any Accumulation Amounts at the Enhanced Rate and cannot participate in any favourable moves beyond that level for that amount. For example, if the Spot Rate moved beyond the Enhanced Rate by the first Fixing and remained above the Enhanced Rate for the term of the Leveraged Accumulator contract, the buyer of the Leveraged Accumulator will be obliged to deal the Maximum Notional Value at the Enhanced Rate and will not have been able to take advantage of the favourable move.**

When dealing a leveraged option, you are amplifying your exposure to market movements either through being obligated to deal the larger amount should markets move favourably or having less cover in place if the market moves against you. As such, you should ensure you have considered these risks before trading.

4.5. Settlement of a Structured Option

At the Expiry Time (usually 10am in New York (2pm in Frankfurt)) on the Expiry Date, you will either have the right, but no obligation to exchange the Contracted notional value of currency at the Protection Rate (or other rate such as Enhanced Rate etc) or, under given circumstances, will be obliged to do so at the Protection Rate (or other rate such as the Participation rate etc. If the option expires 'In-the-money' (i.e. the rate at which you have a right to trade is more favourable to you than the prevailing Spot Rate and you are not otherwise obliged to trade) Convera will automatically exercise the option on your behalf and advise you of the fact as soon as possible afterwards. Please note, that this still does not place you under any obligation to take up the trade. However, if do decide to take up the trade, you must advise us of your intentions with regards to settlement on the same day. Convera will then refer your transaction to Convera Europe S.A. who will handle the remainder of the transaction thereafter. If you are obliged to trade, the deal will also be automatically executed on your behalf and the same referral to Convera Europe S.A. will then take place.

If you are not under any obligation to trade and choose not to exercise your right to exchange the Contracted notional at the Protected Rate, the option will cease to exist at this time and no further action is required.

4.6. Cost of a Structured Option

Generally, Convera agrees with you the Protection Rate and the Knock In or Knock Our Rates associated with any Structured Option at particular levels in order to create a "Zero Premium" cost structure. Whilst these Structured Options are usually structured so that no premium is paid by the Client, Convera will still derive a financial benefit through the incorporation of a margin which equates to our revenue on the transaction. The cost structure of a Structured Option (i.e. size of the margin) will be determined after taking into account several factors:

- The contract amount, the term, the Protection Rate and any other rates applicable to a particular structure (Participation Rate, Knock In or Knock Out Rate etc.).
- Current market Foreign Exchange Rates and the interest rates of the countries whose currencies are being exchanged.
- Market volatility.
- Expiry date and delivery date (settlement) date.
- Expiry time.
- Best case and worst case rate.
- Costs incurred by Convera by entering into the transaction with you (cost of credit, operating costs etc)

Where a "Zero Premium" structure is created, there is no up-front Premium payable for a Structured Option. If however, you wish to nominate an improved Protection Rate or any other rate associated with a particular Structured Option, an up-front non-refundable Premium may be payable. Convera will calculate the amount of the Premium and advise you of the amount before you enter into the transaction.

Where applicable, Premiums must be paid in cleared funds within 2 business days of the Trade Date.

A Zero Premium structure does not mean a zero cost structure. With a "Zero Premium" structure, our revenue margin is derived from an imbalance between the premium paid for the option being bought and the premium received for the option being sold.

4.7. Benefits of Structured Options

Benefits of Structured Options include:

- Structured Options help you manage the risk inherent in currency markets by predetermining the rate and date on which you will purchase or sell a given amount of foreign currency against another currency. This can provide you with protection against negative foreign exchange movements between the time that you deal and the Value Date. This may also assist you in managing your cash flow by negating the uncertainty associated with exchange rate fluctuations for the certainty of a specified cash flow. Structured Options may allow a degree of participation in favourable exchange rate movements (depending on the Structured Option used).
- Structured Options can be tailored to your specific requirements; as Expiry Dates and Contracted notional amounts are chosen by you. You also have additional flexibility to participate in certain favourable exchange rate movements and may be able to achieve an enhanced exchange rate comparable to the equivalent forward rate depending on the Structured Option that you enter.

4.8. Significant Risks associated with Structured Options

Convera considers that Structured Options are only suitable for persons who understand and accept the risks involved in transacting in financial products involving Foreign Exchange Rates. Convera recommends that you obtain independent financial and legal advice before entering into a Structured Option.

The following are the significant risks associated with a Structured Option:

- By entering into a Structured Option Contract you (the buyer) may be left with an obligation to trade on the Expiry Date at a level that may seem unfavourable when compared to the prevailing Spot Rate at that time. Cancellations may result in a financial loss to you. If you paid a premium to enter into a Structured Option Contract, the resulting loss may be greater than that premium. Convera will provide a quote for such services based on market conditions prevailing at the time.
- There is no cooling off period.
- As counterparty to your Structured Option you are relying upon Convera' financial ability to fulfil its obligations to you upon maturity of the contract. As a result you have counterparty risk. To aid in your assessment of this risk Convera will provide you with a copy of its latest audited financial statements upon request. You may request a copy of our most recent financial statements by emailing us at CustomerServiceEU@convera.com.
- If the Mark to Market value of your option exceeds a predetermined level, given as a currency amount or a percentage of the Contracted notional value (which would be agreed with you prior to entering a contract – for example, USD 100,000 or 10%) we may seek from you a margin deposit as an offset to bring your Option's risk exposure back to zero.

5. Terms and Conditions and other documentation

Each Structured Option which you enter into will be subject to Convera' Terms and Conditions for Options. You will be required to sign these before entering into a Structured Option. We will also ask you to agree and accept, by signing, a further document (a "Collateral Addendum") which will contractually secure in our favour any Advance Payment or Margin Call we take from you.

In addition to our Terms and Conditions you will also need to provide us with your most recent audited financial statements (no more than 12 months old) together with such other "Know your Customer" information that Convera may require. This may also include historical audited accounts if we do not already have a working relationship with you.

Upon receipt of all relevant documents, Convera will conduct an accreditation process. Accreditation and acceptance of a customer is at Convera' sole discretion and depends on a number of factors.

The main checks that are relevant to the accreditation of a customer are:

- Verification of a customer's identity in accordance with relevant AML/CTF laws;
- A successful credit check conducted through a third party credit agency;
- An AML/CTF risk assessment considering relevant factors such as the nature of a customer's business and the country where the customer will make or receive payments;
- A check of a customer's principal officers and beneficial owners against relevant government issued sanction lists.
- A check of the customer's experience so far with option contracts.

6. Margin Calls

6.1 What is a Margin Call?

Over the life of a Structured Option, as the Spot Rate moves, the contract may be In the Money (**ITM**) or Out of the Money (**OTM**) or At the Money (**ATM**). That is, if the contract had to be cancelled at any time, it would result in a gain (ITM) or a loss (OTM) or breakeven (ATM).

To manage the Market Risk when a Structured Option is entered into, where the potential for it to move OTM may occur, Convera may initially secure the contract by taking an advance partial prepayment/cash deposit from you. Alternatively Convera may apply this Market Risk against your Trading Limit. You will be advised directly by Convera in this regard.

In order to secure Convera against any future financial loss we may incur as a result of entering into a transaction with you, you will either be asked to pay an upfront deposit (which would usually be a percentage of the notional amount you want to deal), or you will need to have a credit line in place with us permitting a specified maximum position limit before a deposit becomes due.

Once you have open positions we constantly monitor their market value to determine the difference between the original cost of buying the contract on your behalf and the present value should we have to sell it back. Known as the mark to market value, your net position may be positive ('In the Money') or negative ('Out of the Money'). When your net position with us is Out of the Money, we count that against any deposit that we hold or OTM credit line that we have extended and if this is insufficient to cover the negative position value, we will seek to remove that risk by requesting additional deposit – also known as calling for margin, or a margin call.

6.2 Credit lines

When we extend you a credit line, we are allowing you to trade a given amount of currency – your Derivatives Trading Line (**DTL**) – that you can hedge over a given period without needing to pay an upfront deposit. The size of this line will usually be determined by the maximum Out of The Money (OTM) position we are prepared to risk by facilitating your trades without having security against them. This is known as the OTM Limit. Any OTM limit applied is typically expressed as a percentage of the DTL. If this is very low – say 1% or 2% - it is likely that you will be margin called sooner, and possibly more often thereafter. As a result, OTM limits of 5% or even 10% are more desirable, We will always give consideration to your likely ability to meet any margin calls I at short notice before extending you credit terms.

6.3 How does this work in practice?

As an example, you may have €100,000 of exposure that you need to convert to US dollars in 9 months' time and want to hedge this risk using a Knock In Option structure protecting at $1.2000 with a barrier at $1.3000. (NOTE: the calculation will be the same for a forward contract assuming the same Protection Rate of $1.2000). Instead of a 10% deposit of €10,000, we offer you a €5,000 OTM limit (5%) meaning you pay nothing upfront. During the life of that contract we would continue to monitor the market value to ensure that the deposit amount paid remained sufficient to cover the risk.

	Month 1	Month 2	Month 3	Month 4
Protection Rate	1,2000	1,2000	1,2000	1,2000
GBP Notional	100 000	100 000	100 000	100 000
Spot Rate	1,16	1,17	1,23	1,29
Mark to Market value	2 874	2 137	-2 033	- 5 814
OTM Limit	5 000	5 000	5 000	5 000
Deposit Paid	0	0	0	0
Net position	7 874	7 137	2 967	-814

In this example, the market has moved up to $1.2900 and the cost of selling the option now exceeds the OTM Limit. At this point, we would request additional deposit aka a margin call.

6.4 How much will you have to pay & when?

The calculation is straightforward. We will request sufficient funds to cover any **OTM position plus 20%** of the limit. This will be due within 48 hours of notification.

In the above example we would request that you deposit €815 to cover the breach, plus a further €1,000 to take you back to 80% of your limit.

	Month 5	Month 6	Month 7	Month 8
Protection Rate	1,2000	1,2000	1,2000	1,2000
GBP Notional	100 000	100 000	100 000	100 000
Spot Rate	1,29	1,28	1,25	1,23
Mark to Market value	-5 814	-5 208	-3 333	-2 033
OTM Limit	5 000	5 000	5 000	5 000
Margin Paid	1 815	1 815	1 815	1 815
Net position	1 001	1 607	3 482	4 782

The reason we ask for more than just the amount you are beyond your limit is to avoid repeated margin calls during volatile markets. In the above example, EURUSD rises further to $1.2900, but another margin call is not necessary as the OTM limit plus margin amount is sufficient to cover the risk.

EURUSD then starts to fall back and we see in Month 7 that the net position is now greater than the margin amount and, at this point, we will either return the margin deposit to you or, on your instruction, can hold it until expiry at which time it will be deducted from the settlement balance due.

6.5 Is this a cost?

No. Any margin that you deposit with us will either be returned to you prior to expiry if it is no longer required, or will be deducted from the settlement balance due once the contract matures. It does, however, represent a cash flow impact which may come at an inconvenient time, so you should give due consideration to how you might meet a margin call before entering into a trade.

6.6 Does the product you use affect your chances of being margin called?

Yes. A vanilla option (where you pay a premium) can never have a negative value and a Participator will move out of the money half as quickly as an equivalent forward meaning the market would have to move twice as far before you were margin called. On the other hand, leveraged options – where the obligated amount is double the equivalent forward - will move out of the money more quickly. Please ask us for more information on this if needed.

6.7 How can you see your MTM position?

You can request an update of your mark to market position at any time either over the phone or via email. Your positions for both forward and option trades as at close of the previous business day can also be viewed on the EDGE platform.

6.8 Extensions

In order to apply for a credit increase, you should first discuss your requirement with your hedging manager or dealer. They will then apply for an increase to your credit line by submitting a business case to our credit team. They may well require up to date financial statements in the form of audited year-end financial statements and more up to date management accounts.

6.9 What if you can't or won't pay?

If a margin call request is not met within the requisite 48 hour period, we will freeze your credit limit with us, prohibiting any new transactions or changes to the maturity/expiry dates of existing deals until payment is received. Ultimately, continued failure/refusal to pay a margin call will result in us terminating all your contracts. We will also commence all actions necessary (including any legal proceedings) to recover the amounts required from you.

7. Instructions, Confirmations and telephone conversations

The commercial terms of a particular Structured Option will be agreed and binding at the time of dealing. Transactions can be completed using our online platforms or via a Convera representative. The latter will occur verbally over the phone or in written form via email as set out in our Terms and Conditions. . Instructions to transact in the future, such as a market order or restructure, can also be agreed during a face to face meeting but must be documented in writing and signed by you.

Shortly after entering into a Structured Option, Convera will send you a Confirmation by email outlining the commercial terms of the deal. This Confirmation is intended to reflect the transaction that you have entered into with Convera. It is important that you check the Confirmation to make sure that it accurately records the terms of the transaction. You should note however that there is no cooling-off period with respect to a Structured Option and that you will be bound once your original instruction has been accepted by Convera regardless of whether you acknowledge a Confirmation. In the event that there is a discrepancy between your understanding of the Structured Option and the Confirmation, it is important that you raise this with Convera as a matter of urgency. The confirmation will also describe costs and charges included in the transaction. Unless stated otherwise, these are for informational purposes only and do not require additional payment. For further details please see Clause 1.5 of the General Terms and Conditions.

All telephone conversations with our representatives are recorded in accordance with standard market practice. We do this to ensure that we have complete records of the details of all transactions. Taped telephone conversations are retained for a limited time and are usually used when there is a dispute and for staff monitoring purposes. If you do not wish to be recorded you will need to inform your Convera representative. Convera will not, however, enter into any transaction over the telephone unless the conversation is recorded.

8. Dispute Resolution

Our primary goal is to provide superior customer service. To achieve this goal we would like to hear from you if you are dissatisfied with any products you have purchased from us or any service you have received from us. We would also like to hear from you if you would like to compliment one of our employees for providing exceptional customer service.

We have established procedures and policies to ensure that any complaint you may have is properly considered and appropriate measures are taken to address any issues. If you have a complaint, you can raise it with us by: (i) telephone at: +352 800 81 634, (ii) e-mail at: CustomerServiceEU@convera.com; (iii) visiting us in person at our offices (please see Section 2 above for our office address), or (iv) writing to us at our office address.

Any complaint you make will be handled in accordance with our complaints handling policy, copies of which are available on our website or upon request from your usual contact.

9. Key Terms

Additional Partial Prepayment/Margin Call has the meaning set forth in section 6.

At Expiry when used to describe a Knock In or Knock Out barrier means that the barrier level will only be observed at the expiry time (usually 10am New York Time) on the Expiry Date. Previous breaches of the barrier will have no effect.

Call Option means a contract that gives the buyer the right, but not the obligation to buy a specified amount of currency.

Confirmation means written or electronic advice from Convera that sets out the commercial details of a Structured Option.

Contracted notional amount is the sum of currency that any option contract you enter into will give you the either right or obligation to buy or sell

Contingent notional amount is the sum of currency that a Structured Option contract will give you the right or obligation to buy or sell provided certain other specified conditions are met.

Currency Pair means the two currencies in a Structured Option.

Customer means the entity that signs Convera's Terms and Conditions for Options.

EC Treaty means the treaty establishing the European Community (signed in Rome on 25th March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7th February 1992).

Enhanced Rate means, where applicable, the exchange rate that will apply to the purchase or sale of currency when a Buyer exercises its right under a Put Option or Call Option.

EUR means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty.

Exercise means to make use of the right, which is possessed by a party, as specified in a Call Option or a Put Option, e.g. the right to buy, in which case, once exercised the seller of the option is obliged to the buyer on the terms already agreed.

Expiry Date means the date on which a Structured Option expires.

Expiry Time is the time of the day on the Expiry Date that a Structured Option lapses.

Foreign Exchange Rate means the rate at which a currency pair is exchanged.

Forward Exchange Contract means an agreement where one currency is bought or sold for another currency at an agreed Forward Exchange Rate for settlement at a specified date in the future.

Forward Exchange Rate means the Spot Rate adjusted to a future date having regard to the interest rates prevailing in the two countries in the Currency Pair and any other relevant factor.

Knock In Rate means, where applicable, the exchange rate that we agree must be traded in the spot foreign exchange market before the Expiry Time for the Buyers right pursuant to a Call Option or Put Option to become effective.

Knock Out Rate means, where applicable, an agreed exchange rate that if traded in the spot foreign exchange market before the Expiry Time the Buyers right pursuant to a Call Option or Put Option cease to exist.

Interbank Exchange Rate means the wholesale Spot Rate that Convera receives from the foreign exchange interbank market.

Mark to Market means a valuation methodology which reflects the current value of the Cash Flows related to the transaction and provides information about market risk and appropriate hedging actions.

Market Risk means the risk of adverse movements in the value of a transaction due to movements in the Spot Rate over time.

Participation Rate means the most advantageous exchange rate that can potentially be achieved in any Structured Option that has a collar structure in place as agreed by you.

PDS means this Product Disclosure Statement.

Protection Rate (also known as the Strike Rate) is the rate at which an option contract may be exercised. In the case of Structured Option contracts this will usually – but not necessarily always – be the worst case rate.

Put Option means contract that gives the buyer the right, but not the obligation to sell a specified amount of currency

Reset Rate means the exchange rate that will apply to the purchase or sale of foreign currency where an applicable knock in or knock out rate has been traded in an applicable structured option.

Settlement Risk means the risk that a counter party will be unable to fulfil its obligations on the Value Date.

Spot Exchange Rate or Spot Rate means the exchange rate for settlement on a Value Date of up to two (2) business days from the date the transaction was entered.

Strike Rate means, where applicable, the exchange rate that will apply to the purchase or sale of currency when a Buyer exercises its right under a Put Option or Call Option.

Trading Limit means the provision of credit terms to you to cover the exposure emanating from the Settlement Risk.

USD or **United States Dollar** means the lawful currency for the time being of the United States of America.

Value Date has the meaning set forth in section 3.

Window when used to describe a Knock In or Knock Out barrier means that the barrier in question will only be observed during a specified period during the life of the option contract - for example, only the final month, or final day. Breaches of the barrier level outside of the window period will have no effect.

Convera /'We/we, Our/our, Us/us' means Convera Europe Financial S.A., (registered in Luxembourg, national identification number: B264303),6b rue du Fort Niedergrunewald, L-2226 Luxembourg.

'You/you, Your/your' means the Customer.

10. Updates relating to this PDS

The information in this PDS is subject to change. Convera will issue a supplementary or replacement PDS where new information arises that is materially adverse to the information in this PDS. You may request a paper copy of this information free of charge from Your Convera representative.

For further information,
please contact us.

CustomerServiceEU@convera.com