

# BEAUFÖRT

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## COMPLEX INSTRUMENTS:

### Appropriateness Assessment Form

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Authorised & Regulated by the Financial Conduct Authority (Register No. 155104)

Members of the London Stock Exchange and ISDX

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Under the rules of the Financial Conduct Authority, we are required to satisfy ourselves that clients have the necessary knowledge and experience to understand the risks when dealing in 'Complex Instruments'. This involves asking you a number of questions about your investment experience in relation to complex instruments, in order to determine whether we consider the products are suitable. Complex instruments can be considered to be high risk investments and you should not trade them unless you understand their nature and the extent of your exposure to risk, and are prepared to sustain a total loss of the money you have invested as well as commission and other charges payable.

Please read the information below carefully and sign and return the form only if you understand and are prepared for the risks involved when dealing in this kind of instrument. Beaufort may not offer services in all of the products listed below.

### **WARRANTS**

A warrant is a time-limited right to subscribe for shares, or other securities and is exercisable against the original issuer of the underlying security. A relatively small movement in the price of the underlying security may result in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be very volatile. If you fail to exercise your right under the warrant within the predetermined time then the investment may become worthless.

### **SECURITISED DERIVATIVES - COVERED WARRANTS**

These are similar to ordinary warrants but may confer a right to acquire or sell one or more types of investment, and normally exercisable against someone other than the issuer of the underlying investment. Alternatively, they may give you rights under a contract for differences which allows for speculation on fluctuations in the value of an asset of any description or an index, (such as the FTSE 100 index).

These instruments often involve a high degree of gearing, so that a relatively small movement in the price of the underlying investment may result in a much larger movement in the price of the warrant which can therefore be highly volatile.

These instruments have a limited life, and may (unless there is some form of guaranteed return) expire worthless if the underlying instrument does not perform as expected.

### **TRADED OPTIONS**

Please see the resource library available at [www.euronext.com](http://www.euronext.com)

You should be aware of the different order types and their meaning. For example, orders may be given 'at best' but many clients prefer to use 'limits' because of the volatility in the market. If your broker requires settlement for options to be 'cash' you must have funds on deposit before trading. There are many different types of options strategies including:

### **BUYING OPTIONS**

Buying options involves less risk than writing options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transactions charges.

### **WRITING OPTIONS**

The risk in writing (or selling) options is much greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you (at any time up to expiry), however far the market price has moved away from the exercise price.

### **EXCHANGE TRADED COMMODITIES (ETCS)**

ETCs are investment vehicles (asset backed bonds) that track the performance of an underlying commodity index or single commodity. Examples are ETCs based on Grains or Livestock Index or on individual commodities such as Brent Oil, Gold or Soybeans. In many cases it is not practical for the underlying commodities to be held physically so the ETCs are backed by assets derived from commodities (including futures) and this may introduce an exposure to the risk of failure of any 'guaranteeing' party. Be careful that you are aware of and understand this risk. In this sense ETCs are 'derivatives' and may involve a level of gearing which increase their risk and volatility. Trading and settlement is exactly the same as normal shares on their own dedicated segment fully listed on mainstream stock exchanges (such as the London Stock Exchange) and supported by a liquid market operating in the same way as that for shares.

### **STRUCTURED PRODUCTS AND OTHER COMPLEX INSTRUMENTS**

Other complex instruments include so-called 'structured products' and other instruments which may include several different elements which contribute to their risk profile. They may be derived from simple or very complicated products, securities or indices and they may include features such as limited or total protection against certain loss-making circumstances, or the acceleration (or deceleration) of profits or losses. It is important to understand how the instrument will behave under all possible scenarios, and especially those extreme scenarios which may have a limited apparent likelihood of occurring. In the case of 'guarantees' or 'protections,' these must not be accepted at face value. Any guarantee is only of value if the parties providing it have the resources to meet all the obligations which may fall upon them. In the event of the failure of an underlying issuer the real value of a 'guarantee' may be zero. Instruments of this kind may sometimes be for a fixed term, but may also include clauses which mean the term may be varied in certain circumstances, and you should ensure that this suits your own requirements. Investors should also understand the effect any of the instruments characteristics may have on their tax and income needs.

Further information can be obtained from

[www.londonstockexchange.com/etcs](http://www.londonstockexchange.com/etcs) or [www.ettsecurities.com](http://www.ettsecurities.com).

# Appropriateness Questionnaire

In order that we are able to assess whether certain Complex Instruments are appropriate for you, please ensure you complete all sections of this form.

1. Please state your annual income.

£
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2. Please confirm your total assets (cash, savings and investments etc but excluding principle property).

£
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3. Do you have experience of trading shares, bonds, fixed income or funds? If so, please state frequency and experience.

<b>Frequency</b>	(per annum)	<b>Experience</b>	(years)
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4. Do you have any experience of trading derivatives (e.g. futures, options, spread bets, CFDs etc)? If so, please state frequency and experience.

<b>Frequency</b>	(per annum)	<b>Experience</b>	(years)
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5. Do you have any experience of trading Exchange Traded Commodities or other Complex Instruments? If so, please state product(s), frequency and experience.

<b>Products(s)</b>			
<b>Frequency</b>	(per annum)	<b>Experience</b>	(years)

6. Do you understand the nature of the risks involved in the various Complex Instruments above?

<b>Yes / No</b> (delete as applicable)
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## Declaration (Please complete)

- This document, upon which we intend to rely, forms part of our Terms of Business and permits us to instigate transactions for you in Complex Instruments. For your own benefit and protection, please ensure that you read the information contained in this document carefully, in conjunction with our Terms of Business and let us know if you have any questions.
- I confirm that the information provided in this document is true and accurate to the best of my knowledge.

### Existing clients

Please state your account number \_\_\_\_\_

If you are not an existing client you will need to complete and submit an application for a Beaufort Advisory account. Please visit our website [www.beaufortsecurities.com](http://www.beaufortsecurities.com) for more information and to download an application form.

**Name** \_\_\_\_\_ **Signed** \_\_\_\_\_

**Date** \_\_\_\_\_

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