

## **SCHEDULE G: EXCHANGE-TRADED DERIVATIVES**

Subject to this Schedule, we will enter into derivative contracts for you, the execution of which will take place on Exchanges (as defined in clause 3 of this Schedule below). This Schedule also describes the way in which we will carry out our reporting obligations in respect of such derivative contracts and, if specifically requested and agreed, may provide delegated reporting Services to you.

### **1. The Basics**

**1.1.** A derivative contract can be defined as a contract between two or more parties the price of which is based on an underlying asset, which can be a stock, bond, commodity, currency, exchange or interest rate, market index or other asset. Derivatives have certain inherent characteristics (but have risks associated with them):

- (a) derivatives are extremely flexible and can be precisely tailored to the specific needs of counterparties;
- (b) derivatives enable exposure to underlying asset price movements without physical exposure to an asset, usually with minimal upfront committed capital, and they may be highly leveraged;
- (c) derivatives enable synthetic structures based on underlying assets that are impossible to invest in directly eg, weather patterns, carbon emissions, credit default events or global freight prices.

**1.2.** An option is a contract that gives the buyer a right, but not the obligation, to buy or sell an asset at a particular price, on or before a specified date. Options are divided into call options and put options. A call option is an option to buy an asset for a specified price (called strike price), on or before a specified date. A put option is an option to sell an asset for a specified price on or before a specified date. The buyer of an options contract is said to be long, or the holder or owner of the contract. The seller of an options contract is said to be short, or writer of the contract. The cost of the option to the buyer is called the premium.

**1.3.** Futures are contracts between two parties obliging them to make or take delivery of a specific quantity or quality of a specified asset on a specified future date at a price agreed on a specific date. The price is agreed between the buyer and the seller. The fixed future date is stipulated by the exchange, and it referred to as contract month.

**1.4.** Forwards are similar to futures as they are also contracts to make or take delivery of a specified quantity of a specified asset at a certain time in the future for a price that is agreed when they are concluded. Unlike futures, forwards are settled only on the delivery date, and some of the contract terms are negotiable.

**1.5.** A forward rate agreement is a type of a forward contract which determines the rate of interest or the currency exchange rate which is to be paid or received on an obligation beginning at a future start date. The forward rate agreement pays out the interest rate difference over an

agreed reference point, called benchmark, for a predetermined future period on an agreed principal amount.

**1.6.** A swap is a derivative where two counterparties exchange one stream of cash flow against another. These payment streams are called the legs of the swap. The cash flows are calculated over a notional principal, or asset amount.

**1.7.** Participants buying exchange-traded derivatives are generally required to put some collateral aside (**margin**) to mitigate the risk of not fulfilling their obligations under the relevant derivative contract. These margin requirements are set and explained in the Market Rules adopted by relevant Exchanges (as defined in clause 3 below). After the trades have been confirmed and registered, the clearing house becomes the legal counterparty, generally via the process called novation, to the trade. Therefore, in conjunction with the Exchanges, the clearing houses will manage and define margining rules and procedures which are also part of the relevant Market Rules.

## 2. Risk

**2.1.** Transactions in futures carry a high degree of risk. The amount of initial margin may be small relative to the value of the derivatives contract so that transactions are 'leveraged' or 'geared'. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit; this may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited with us to maintain your position. If the market moves against your position and/or if margin requirements are increased, you may be called upon to deposit additional funds on short notice to maintain your position. Failing to comply with a request for a deposit of additional funds, may result in closure of your position(s) by us on your behalf and you will be liable for any resulting loss or deficit. In general, the value of a future depends upon price movements in the underlying asset. Thus, many of the risks applicable to trading the underlying asset apply equally to the future applicable to such asset. Futures are also exposed to liquidity risk.

**2.2.** Transactions in options carry a high degree of risk. You should always familiarize yourself with the type of option (i.e., put or call) which you contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin. If the purchased option is out-of-the-money when it expires, you will suffer a total loss of your investment, which will consist of the option premium plus transaction costs. If you are contemplating purchasing out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

**2.3.** Selling an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess

of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities for margin. If the option is 'covered' by the seller holding a corresponding position in the underlying asset, in a future or in another option, the risk may be reduced. In case the option is not covered, the risk of loss can be unlimited.

**2.4.** The specification below illustrates the potential risks and rewards of option contracts:

- (a) Long call: maximum risk/loss is limited to premium and all transaction costs; maximum reward/gain is unlimited;
- (b) Short call: maximum risk/loss is unlimited and therefore you may lose your initial investment and further suffer additional amounts of losses; maximum reward/gain is limited to premium;
- (c) Long put: maximum risk/loss is limited to premium and all transaction costs; maximum reward/gain equals to strike less premium (asset price would have to fall to zero);
- (d) Short put: maximum risk/loss equals to strike less premium (asset price would have to fall to zero); maximum reward/gain is limited to premium.

**2.5.** You understand that under certain circumstances the specifications of outstanding contracts, including margin requirements may be modified by the Exchange or clearing house to reflect changes in the underlying interest.

**2.6.** You understand and accept that normal pricing relationships between the underlying asset and a derivative do not always exist. The absence of an underlying reference price may make it difficult to determine a 'fair' value. You further understand that there may be volatility in the price of the specific derivative contract and/or limitations on the available market for such instrument.

**2.7.** You understand and acknowledge that any and all Securities and Cash balances accumulated in your account as a result of you trading under this Schedule will be subject to the security interests created in our favour and will constitute Secured Assets (as each of the foregoing terms is defined in Schedule A to these Terms). In the event you become unable to make any payments or deliveries under this Schedule, we will be entitled to sell your Securities to recover funds or to apply Cash available in your account to satisfy your Secured Obligations (as defined in Schedule A to these Terms) without prior notice to you.

**2.8.** You acknowledge that derivatives are complex instruments and it is possible to lose substantial sums of money if they are not managed correctly. You understand that by entering into transactions in derivatives you assume additional obligations, including contingent liabilities, additional to the cost of acquiring such derivatives. You agree to carefully consider whether entering into any trades under this Schedule is appropriate for you, taking into consideration your financial resources and other relevant circumstances.

### 3. Derivative Transactions

3.1. Subject to this Schedule, you may provide us with instructions to buy or sell derivative contracts (i.e. to enter into a **Derivative Transaction**) on a regulated market or an equivalent third-country market or other third-country market to which we have access (each an **Exchange**). These instructions may be provided solely with respect to standardised derivative contracts which give its holder the right to acquire securities (excluding instruments of payment), including units in collective investment undertakings, money market instruments and claims relating to or rights in or in respect of any of the foregoing, or give rise to a cash settlement. Information with regard to the Exchanges as well as the applicable costs and expenses may be obtained in the Fee Schedule.

3.2. You understand that all Derivative Transactions should be settled or delivered in accordance with the relevant Market Rules. You will promptly deliver or arrange for the delivery of any instructions, money, documents or property deliverable by you under any Derivative Transaction in accordance with that Derivative Transaction. You acknowledge that Exchanges have cut-off times, and that in case of any delays, we may not be able to settle a Derivative Transaction on the due date for settlement.

3.3. You understand and agree that we may require you to limit the number of open Derivative Transactions which you may have with us at any time and we may in our sole discretion close out any one or more Derivative Transactions in order to ensure that such position limits are maintained.

3.4. You agree to pay us on demand such sums by way of margin as are required from time to time under the relevant Market Rules and additionally, such other sums with a maximum of 100% of the notional amount of any derivative contract as we may in our discretion reasonably require in an effort to protect ourselves against loss or risk of loss on present or contemplated Derivative Transactions. Unless otherwise agreed, margin must be paid in cash. The currency of the cash margin you pay to us shall be the currency of the relevant underlying Derivative Transaction although we may in our discretion decide to accept payments of cash margin in other currencies from time to time.

3.5. A margin call pursuant to clause 3.4 above may be sent to you via e-mail or by other communication means agreed under the Terms, and may specify the deadline for making a margin transfer. Failing such specification, you shall make any transfer so that the same is received by us by 2 p.m. (UTC) on the day following the day of the margin call. If a margin call is not fulfilled in accordance with its terms we may in addition to our other rights and remedies under the Terms, sell any or all securities and/or derivative contracts and/or close-out any or all of your open Derivative Transactions held or recorded in your account and/or deduct any outstanding amounts from cash available therein to the extent necessary to satisfy a margin call.

**3.6.** We will not physically settle any Derivative Transaction unless we have specifically and separately agreed with you otherwise. If a Derivative Transaction we have executed for you, has not been closed-out, rolled or otherwise dealt with by you or in accordance with your instructions by such time prior to physical settlement of such Derivative Transaction being required as we determine in our sole discretion, we shall be permitted to take such action in relation to such Derivative Transaction(s) as we consider necessary or appropriate (including closing-out or rolling such Derivative Transaction(s)) to prevent physical settlement of such Derivative Transaction(s) taking place. Any gains, losses, costs or expenses made or incurred by us in relation to taking any such action will be for your account.

**3.7.** If at any time with a view to discharging our obligations in connection with any Derivative Transaction(s) or complying with the Applicable Regulations or Market Rules we shall deem it necessary to replace any financial instruments, contracts or other assets previously delivered to you by us by other financial instruments or assets of like or equivalent kind or amount, we may without notice either liquidate positions or make or receive delivery on your behalf upon such terms and by such methods which we deem feasible. To this end, you authorise us to borrow, buy or sell any financial instruments or assets necessary to make payment, delivery or replacement. We may subsequently repay any borrowing with financial instruments or assets purchased or otherwise acquired for your account or require you to pay to us for any cost, loss and damage (including consequential damages and penalties) incurred by us in connection with any of the foregoing.

**3.8.** You understand that Exchanges have established exercise cut-off times for the tender of exercise instructions in relation to options and those options may become worthless in the event that you do not deliver instructions by expiration time. You also acknowledge that we may establish exercise cut-off times that are earlier than the exercise cut-off times established by the relevant Exchanges, and you shall have no claims against us arising out of the fact that an option was not exercised if instructions were not provided in a timely manner. We shall be authorised, but shall have no obligation, to exercise any option on your behalf that is 'in the money', where you have failed to provide instructions to us in a timely fashion. Where intermediate brokers do not specify a particular transaction when exercising an option, we may allocate in a way that seems to us to be most equitable.

#### **4. EMIR Reporting**

**4.1.** Where you (including any individual who is considered to be an undertaking (as defined in Regulation (EU) No 648/2012 (**EMIR**) due to carrying out economic activities) instruct us to enter into a derivative contract including derivative contracts, the execution of which takes place on an Exchange, which is not a regulated market as within the meaning of Article 4(1)(14) of Directive 2004/39/EC or a third-country market considered as equivalent to a regulated market in accordance with Article 19(6) of Directive 2004/39/EC (**OTC derivative contract**), we

will ensure that the details of any such executed derivative contract or OTC derivative contract and of any modification or termination of the contract are reported to a trade repository pursuant to Article 9 of EMIR as from time to time in force. Where BCS agrees to execute any OTC derivative contract, clause 4.2 to 4.11 below will apply.

**4.2.** You acknowledge that disclosures made pursuant to clause 4.1 above, may include, without limitation, the disclosure of trade information including your identity (by name, address, corporate affiliation, identifier or otherwise) to any trade repository registered in accordance with Article 55 of EMIR or recognised in accordance with Article 77 of EMIR or one or more systems or services operated by any such trade repository (**TR**) and any relevant regulators (including without limitation, the European Securities and Markets Authority and national regulators in the European Union) under EMIR and that such disclosures could result in certain anonymous Transaction and pricing data becoming available to the public. You further acknowledge that, for purposes of complying with regulatory reporting obligations, we may use a third party service provider to transfer trade information into a TR and that a TR may engage the services of a global trade repository regulated by one or more governmental regulators. You further acknowledge that disclosures made pursuant hereto may be made to recipients in a jurisdiction other than that of the disclosing party or a jurisdiction that may not necessarily provide an equivalent or adequate level of protection for personal data as your home jurisdiction. For the avoidance of doubt:

- (a) to the extent that applicable non-disclosure, confidentiality, bank secrecy, data privacy or other law imposes non-disclosure requirements on transaction and similar information required or permitted to be disclosed as contemplated herein but permits you to waive such requirements by consent, the consent and acknowledgements provided herein shall be a consent by you for purposes of such law;
- (b) any agreement between you and us to maintain confidentiality of information contained in these Terms or in any non-disclosure, confidentiality or other agreement shall continue to apply to the extent that such agreement is not inconsistent with the disclosure of information in connection with the reporting requirements as set out herein; and
- (c) nothing herein is intended to limit the scope of any other consent to disclosure separately given to us by you. You represent and warrant that any third party to whom you owe a duty of confidence in respect of the information disclosed has consented to the disclosure of that information.

**4.3.** You agree to reconcile portfolios as required by the portfolio reconciliation risk mitigation techniques for OTC derivative transactions set out in Article 11(1)(b) of EMIR as supplemented by Article 13 of Chapter VIII of the Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012.

**4.4.** On each business day following the date of execution of an OTC derivative contract, we will provide you with the key terms in relation to all outstanding OTC derivative contracts in a form of a Trade Report or an Account Statement, with a scope and level of detail that would be

deemed reasonable to us. The information to be provided pursuant to this clause will be prepared as at the close of business on the immediately preceding business day and as specified in writing by us. The key terms shall include, but shall not be limited to the valuation of each OTC derivative contract, the effective date, the scheduled maturity date, any payment or settlement dates, the notional value and currency of the sale or purchase of an OTC derivative contract, the underlying instrument, and any relevant fixed or floating rates of the Derivative Transaction.

**4.5.** On each business day immediately following the day specified in clause 4.4 above, you shall perform a comparison of the data provided by us against your own books and records of all outstanding Derivative Transactions in OTC derivative contracts in order to identify promptly any misunderstandings of key terms.

**4.6.** If you identify one or more discrepancies which you determine, acting reasonably and in good faith, are material to the rights and obligations in respect of one or more Derivative Transactions, you will notify us in writing as soon as reasonably practicable and consult with us in an attempt to resolve such discrepancies in a timely fashion for so long as such discrepancies remain outstanding, using, without limitation, any applicable updated reconciliation data produced during the period in which such discrepancy remains outstanding.

**4.7.** If you do not notify us of any discrepancies by 4 p.m. UTC time on the business day following the date on which we provided information to you, you will be deemed to have affirmed such information provided by us.

**4.8.** For the purposes of performing all or part of the actions under clause 4.5 and 4.7 above we may appoint an affiliate to act as agent, immediately on written notice to you.

**4.9.** Each you and us agree that we will use the following procedure to identify and resolve any disputes between you and us arising out of or in connection with clause 4.5 to 4.8 above:

(a) either party may identify a dispute by sending to the other party a notice in writing which states that it is a dispute notice and which sets out in reasonable detail the issue in dispute (including, without limitation, the Derivative Transaction(s) to which the issue relates);

(b) on or following the date on which a dispute notice is effectively delivered by one party to the other party (or, if, with respect to a dispute, both parties deliver a dispute notice, the date on which the first in time of such notices is effectively delivered), the parties will consult in good faith in an attempt to resolve the dispute in a timely manner, including, without limitation, by exchanging any relevant information and determining and applying a resolution method for the dispute; and

(c) with respect to any dispute that is not resolved within 5 business days of the dispute date, refer issues internally to appropriately senior members of staff of such party or of its adviser or auditor in addition to actions under (b) immediately above.

**4.10.** Each you and us agree to have internal procedures and processes in place to record and monitor any dispute for as long as the dispute remains outstanding.

**4.11.** Any action or inaction pursuant to clause 4.10 above, shall be without prejudice to any rights or obligations we may have to you under any other contractual agreement, by operation of law or otherwise.

**4.12.** You are encouraged to seek and obtain legal advice from qualified professional as regards the discharge of your obligations under EMIR.

## 5. Delegated Reporting under EMIR

**5.1.** Unless otherwise specifically agreed in writing between you and us, we will be under no obligation to report the details of any derivative contract on your behalf pursuant to Article 9 of EMIR.

**5.2.** You may request that we help you to meet your reporting obligations under Article 9 of EMIR (**Reporting Obligation**) by reporting, on your behalf, relevant data on on-exchange derivative contracts and/or OTC derivative contracts (individually or collectively a **Relevant Transaction**) to a TR. Where you so request and we agree, clause 5.3 to 5.11 will apply. Information with regard to the applicable costs and expenses may be obtained in the Fee Schedule.

**5.3.** In respect of each Relevant Transaction you appoint and authorise that we submit and subject to the other provisions of these Terms, we agree to use reasonable endeavours to submit, the information corresponding to the fields listed in Table 1 and Table 2 of the Annex to the Commission Delegated Regulation (EU) No 148/2013 of 19 December 2012 and the Annex to the Commission Implementing Regulation (EU) No 1247/2012 of 19 December 2012 (**Relevant Data**) as determined by us in our sole and absolute discretion, to a TR selected by us and notified to you (a **Relevant TR**) by the later of the deadline for reporting as specified in Article 9 of EMIR (**Reporting Deadline**).

**5.4.** In respect of each Relevant Transaction, you:

- (a) agree to deliver to us in time any data required for us to comply with our obligation under clause 5.3 above;
- (b) agree and acknowledge that if you fail to comply with clause 5.4(a), we will be under no obligation to (but may) submit the Relevant Data to a Relevant TR by the Reporting Deadline;
- (c) represent to us that the information you deliver under clause 5.4(a) is, at the time of delivery, true, accurate and complete in every material respect; and
- (d) acknowledge that we may rely on the information you deliver under clause 5.4(a) without investigation.

**5.5.** Without prejudice to clause 5.10(a), in respect of each Relevant Transaction, we will determine in our sole and absolute discretion whether the Reporting Obligation has arisen, the characterisation of the Relevant Transaction and the Relevant Data. If unique reference(s) need to be generated for inclusion in the Relevant Data, you agree that we may generate such unique reference(s).

**5.6.** If we do not report any of the Relevant Data by the Reporting Deadline, we will notify you as soon as reasonably practicable and you will be entitled to report such Relevant Data to a TR or to appoint a third party to make such report on your behalf. Other than in this instance or as otherwise agreed between you and us in writing, you will not report or arrange the reporting of the Relevant Data to a TR and will notify us immediately if you have reported or arranged the reporting of the Relevant Data to a TR other than in accordance with this provision.

**5.7.** Notwithstanding clause 5.8 below, you acknowledge and agree that we are not obliged to discover errors in or check the accuracy, authenticity or completeness, of any Relevant Data, whether that information derives from you or any other person (including without limitation any trading venue, central counterparty or similar financial market infrastructure but excluding ourselves).

**5.8.** Subject to clause 5.7 above, if we become aware of a material error in any Relevant Data reported to a TR in accordance herewith, we will use reasonable endeavours to notify the other party if doing so is thought, in our sole discretion, necessary to resolve such material error, and both parties will use reasonable efforts, acting in good faith and a commercially reasonable manner, to resolve such error. If you become aware of a material error in any Relevant Data reported to a TR in accordance herewith or any error in any data provided by you to us, you will notify us as soon as reasonably practicable and both parties will use reasonable efforts, acting in good faith and a commercially reasonable manner, to resolve such error.

**5.9.** You agree that we may utilise the services of a third party service provider to facilitate the submission of Relevant Data or other performance of our obligations hereunder (including but not limited to any platform, system, interface or other technology developed by any such third party service provider for such purpose). Where we have discretion in selecting a third party service provider, we will use reasonable care in the selection of the third party service provider.

**5.10.** You acknowledge and agree that:

(a) we shall, at all times, perform our obligations and exercise discretion hereunder with reasonable care, provided that we shall not be required to do or cause to be done anything which is not permitted or is otherwise contrary to or inconsistent with the operating procedures of any third party service provider or any Relevant TR (including any decision by a third party service provider or any Relevant TR not to permit us to submit Relevant Data in accordance herewith) or is contrary to any Applicable Regulations or we are otherwise prevented from doing by any Applicable Regulations.

(b) you remain solely responsible and liable for submission of all data subject to the Reporting Obligation which is not included in the Relevant Data and compliance with the your Reporting Obligation generally;

(c) any submission of Relevant Data is made with a view to facilitating your reporting of data pursuant to the Reporting Obligation and is independent of any Reporting Obligation that we may or may not be subject to;

- (d) where we are not ourselves subject to the Reporting Obligation, any submission of Relevant Data is solely for the purpose of fulfilling our obligations hereunder;
- (e) we will not be required to provide any Services or otherwise perform hereunder to the extent any failure by us to provide Services or otherwise perform is due to a breach or other act or omission by you, any Relevant TR or any third party service provider;
- (f) without prejudice to any other agreement you may have with any Relevant TR or any third party service provider, you will not have recourse under or in relation hereto against any Relevant TR or any third party service provider in respect of any Relevant Data submitted hereunder or any other activities contemplated by this Schedule; and
- (g) the Reporting Obligation and, accordingly, the Service we provide under this Schedule, remain at all times subject to change as a result of further regulatory developments and guidance.

**5.11.** Notwithstanding any other provision of the Terms of Business, we and our directors, officers, employees, contractors and agents shall not have any liability to you (or any person claiming under or through you) whether in contract, tort (including negligence), breach of statutory or regulatory duty or otherwise, for any Loss (as defined in the General Terms) arising directly from, or in connection with:

- (a) any acts, omissions or failures of any third party, including but not limited to any third party service provider or a Relevant TR (including any decision by a third party service provider or a Relevant TR not to permit us to submit Relevant Data via the third party service provider or to a Relevant TR on your behalf);
- (b) the failure of any platform, system, interface or other technology, including any internal platform, system, interface or other technology, which we use or intend to use in the performance of our obligations or exercise of our rights under this Schedule; or
- (c) a third party accessing or intercepting any information or data attributed to you, except to the extent that such Loss is due to the gross negligence, wilful misconduct or fraud on our behalf or that of our contractors or agents.