

# Straumur-Burdaras Investment Bank hf.

General Terms  
and Conditions for Clients

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## Article 1

### Introduction

1. These General Terms and Conditions for Clients ("the Terms and Conditions" or "the Terms") cover the general conditions which apply to business transactions between Straumur-Burdaras Investment Bank hf, ("Straumur" or "the Bank") including all Straumur's branches, and clients concluding transactions with the Bank.
2. The Terms and Conditions apply to all transactions with Straumur and are intended to set out clearly the legal relationship which exists between the Bank and its clients in market trading, the way in which contracts are negotiated and communications effected, the Bank's requirements in cases where collateral is required, and under what conditions the Bank may close a contract (with an offset contract) and call in loans. Specific written or oral contracts shall, however, always prevail.
3. The purpose of these Terms and Conditions is to contribute to a clear understanding by clients of the nature of the contracts they cover as well as the risks involved in them, and to enable the client to assess his/her legal position with the Bank. Clients are urged to acquaint themselves with the currently applicable laws and regulations. Clients' attention is also drawn to the Bank's policies, designed to fulfill the MiFID (Markets in Financial Instruments Directive, 2004/36/EC) requirements, which can be found on Straumur's website ([www.straumur.net](http://www.straumur.net)), together with the Bank's own Rules of Procedure and Rules on Treatment of Confidential Information, Insider Trading and employee trading.
4. Straumur is incorporated in Iceland and has branches in Denmark, Sweden and the United Kingdom. In Iceland, its activities and business is authorized and regulated by the Icelandic Financial Supervisory Authority (Fjármálaeftirlitið). For conduct of business; in the UK, it is regulated by the Financial Services Authority (FSA) in Denmark, by the Danish Financial Supervision Authority (Finanstilsynet); and in Sweden by the Swedish Financial Supervisory Authority (Finansinspektionen). Straumur's shares are listed on the OMX Icelandic Stock exchange.
5. By conducting business with Straumur a client will be deemed to have accepted Straumur's Terms and Conditions which will, therefore, become legally binding on the client and, in the absence of any other agreement between Straumur and its client, will apply to all investment business regulated by the relevant authorities and to any other business which Straumur may conduct with a client or on a client's behalf. Straumur advises its clients in writing of any changes made to the Terms from time to time. If a client is in any doubt as to the meaning, or legal or financial implications, of these Terms, the client should take professional advice. If clients have any questions about the Terms and Conditions, they should speak to their contact at Straumur. These Terms and Conditions are standard and not subject to amendments, they are superseded by specific contracts.
6. Straumur requires all clients to undergo a classification process, and to be familiar with, and understand, these Terms. The Bank can also ask for certain documents and certificates which are required by law and international agreements.

## Article 2

### Scope and general provisions/initiation of business

1. These Terms and Conditions shall apply to all business relationships between Straumur and its clients. This includes, without limitations, all capital markets' and corporate finance activity, as well as activities concerning treasury functions and debt finance. The terms shall apply to all transactions, regardless of whether the client's order is oral or written.
2. If a client asks to conclude a contract on de-materialised securities or to provide dematerialised securities as collateral, at the time of opening a custody account, an electronic securities account/custody account with a Securities Depository shall be opened in the client's name. In signing these Terms and Conditions, the client authorises the Bank to transfer de-materialised securities from the electronic securities account to an account administered by Straumur.
3. If a client does not, on signing these Terms and Conditions, already hold a custody account with the Bank and wishes to open one, it will be opened in the client's name and he/she/it will be asked to furnish the necessary documentation, including, but not limited to, the following:
  - Legal entities have to submit a Certificate of Incorporation, no more than three months old, issued and certified by the relevant authorities.
  - An individual who has the Power of Procuration/Power of Attorney has to submit proof of that, together with a copy of a valid passport.
  - A client will, if necessary, be asked to register for a company number or a social security number. The Bank will assist in that, for no additional cost other than government charges.
  - If required the client is obliged to appoint a process agent.
4. To comply with money laundering regulations, Straumur reserves the right to demand further documentation on a client or on any funds to be placed in the Bank's custody or used for transactions with the Bank; in signing these Terms and Conditions, a client attests that he/she/it owns any funds delivered to the Bank, unless otherwise expressly stated in the "Know Your Customer" procedure. If a client asks, either at the initiation of a transaction or at any subsequent time, to provide funds owned by third parties, he/she/it must give the Bank written notification; in such cases Straumur may demand any documentation required.

## Article 3

### Anti-money laundering procedures

In accordance with legislation on anti-money laundering, Straumur's Board of Directors has approved in-house regulations to prevent the Bank's business and operations being used to launder money from unlawful activities. In line with its anti-money laundering regulations, the Bank is obliged to obtain information on its clients, ensure they are not acting for third parties, and collect information on the purpose of their business. A client or legal entity representative has to complete an anti-money laundering questionnaire and provide the necessary documents before transactions can be conducted on his/her/its account.

## Article 4

### Client classification

1. Straumur is required by MiFID to classify its clients as one of the following:

- Retail investor
- Professional client
- Eligible counterparty

2. Classification affects the level of protection a client will be afforded. A client is entitled to request a different classification from the one allocated. Clients who wish to change their categorisation should contact speak to their contact at Straumur, or Straumur's Compliance Officer.

3. Straumur focuses on professional investors and eligible counterparties in its business.

4. Clients agree and acknowledge that they are responsible for keeping Straumur informed of any changes in their circumstances that could affect their classification.

## Article 5

### Implementation of contracts

1. A client shall have no unilateral claim that Straumur concludes individual contracts based on these Terms and Conditions, even though Straumur has signed the Terms and Conditions. Bank staff are required to approve any individual contract and transaction and Straumur may unilaterally decide to accept or reject any transaction.

2. Clients may make transaction requests, and contracts can be concluded, either by fax, e-mail or telephone. All contracts, other than spot exchange and securities contracts, must be confirmed in writing by both parties. In the case of spot exchanges, the Bank will confirm the transaction unilaterally by fax or e-mail; in the case of spot securities, the Bank will confirm the transaction unilaterally by e-mail or by letter sent to the client by post. If a client raises no objection within three days of the dispatch of a letter or fax, it is assumed that the client agrees that the transaction accords with the contract. If a client raises an objection, the fax, e-mail or recorded telephone conversation shall serve as proof of the transaction terms. The Bank shall forward the original copy of all contracts, other than spot exchange and securities transactions, to the client. A client is obliged to return a signed copy of all contracts to Straumur within three days of the conclusion of the contract. No originals of spot exchange and securities contracts are sent, unless expressly requested.

3. A client may grant a third party Power of Attorney to conclude contracts on the client's behalf, provided the Power of Attorney is in writing and in a format acceptable to the Bank. The power of attorney must include the representative's specimen signature and shall be valid until the Bank has received written notice of its modification or cancellation, or it becomes invalid because of the nature of its contents. The Power of Attorney must include the information specified in Annex II and be approved by the legal entity board of directors or other persons qualified to act on behalf of the legal entity. This does not, however, stop Straumur from relying on its evaluation of what constitutes regular business with each client and, therefore, executing orders on behalf of a client's employees, if it deems it appropriate to do so. The Power of Attorney must be witnessed and signed by two witnesses.

## Article 6

### Capacity in which Straumur may act

Straumur may act on orders either as an agent or as a principal. Unless Straumur accepts the client's specific instructions to the contrary, it may, in its discretion, act on the client's orders exclusively, or partly, as a principal or agent. Straumur may in its absolute discretion, and without prior disclosure to the client, pass the client's order on to, or arrange for it to be executed by, another financial institution, including an affiliate of Straumur. Each transaction will be subject to the customs, rules and regulations of the market in which it is executed, as well as to the terms and conditions of any intermediate broker. Please refer to Straumur's Best Execution Policy for further information, which can be found on Straumur's web site, [www.straumur.net](http://www.straumur.net).

## **Article 7**

### **Suitability**

Where Straumur provides the client with investment advice it is, in certain circumstances, obliged by MiFID to obtain information from the client to enable it to make the suitability of the proposed product or service. Information which Straumur may have to consider will concern issues such as the client's investment objectives, knowledge and experience in understanding the risks involved, and ability to bear the risk associated with the particular transaction. The client shall provide the Bank, on request, with any documentation that Straumur requires to assess the client's suitability.

## **Article 8**

### **Order execution**

When executing or receiving and transmitting an order on a client's behalf, Straumur is required by MiFID to take all reasonable steps to obtain the best possible result for customers, taking into account all relevant considerations. These may include factors such as price, costs, speed, likelihood of execution and settlement, size or nature of the order. MiFID also requires Straumur to obtain the client's consent to Straumur's Best Execution Policy (accessible on Straumur's website) before the execution or reception and transmission of orders on a client's behalf.

## **Article 9**

### **Order handling**

1. Straumur believes that its best execution arrangements are most effective when all sources of liquidity are accessible to it. MiFID allows for orders to be executed outside EU Regulated Markets or Multi-Lateral Trading Facilities (MTFs) subject to a client's express consent. By agreeing to these Terms and Conditions a client will be deemed to have expressly consented to such an arrangement.

2. MiFID also requires Straumur to obtain a client's express consent to the exercising of the Bank's discretion as to when and how unexecuted limit orders of a certain size, which are not executable at prevailing market prices, are published to the market. In the absence of such consent the requirement would become effective immediately. By agreeing to these Terms and Conditions a client will be deemed to have expressly consented to such an arrangement.

## **Article 10**

### **Transaction reporting**

Where a client enters into a transaction involving a security specified as reportable under the provisions of MiFID (including equity instruments, debt instruments, commodity derivatives, interest rate derivatives and foreign exchange derivative contracts admitted to trading on a regulated market) the transaction will be reported to the appropriate competent authority.

## **Article 11**

### **Aggregation**

A client's orders may be aggregated with those of Straumur, other customers, and persons connected with Straumur, including affiliates and employees. Although orders will be aggregated only where Straumur has reasonable grounds to believe that it is in the client's best interests, aggregation may, on occasion, result in a client obtaining a less favorable price than if the client's order had been executed separately. Straumur may allocate transactions executed on an aggregated basis within five business days.

## **Article 12**

### **Recording telephone conversations**

To ensure security for clients and the Bank, and to avoid any misunderstandings, telephone conversations between clients and the Bank may be recorded without notice being given in each instance. By conducting business with Straumur a client is aware that telephone conversations may be recorded. Under these Terms and Conditions, a client agrees that recordings may be submitted in litigation and/or used as evidence in other instances if a dispute arises as to what transpired between the contracting parties, such as concerning the premises for and/or implementation of transactions. In other respects the Bank shall treat such recorded conversations in the same manner as other information covered by banking confidentiality.

## Article 13

### Collateral and guarantees

#### *1. Collateral for transactions and supplementary guarantees*

In accordance with Straumur's internal rules of procedure, collateral shall be required on the initiation of business transactions. If collateral has not been required for certain contracts, the Bank reserves the right to make such a demand. On initiating a transaction, a client must provide collateral which, in each instance, the Bank deems satisfactory. A client is also obliged to sign a specific collateral pledge, letter of guarantee or other comparable document if one is requested.

If a client provides assets in a custody account as collateral, the account must be administered by Straumur. A client's collateral in the form of de-materialised securities must be mortgaged in the client's electronic securities account linked to his/her/its custody account with Straumur. If a client provides physical share certificates as collateral, they must be held by the Bank. If the certificates are subsequently de-materialised, the client's signature on these Terms and Conditions will be considered to authorise Straumur to open an electronic securities account in the client's name and transfer the securities to that account. A client may not transfer title to any collateral which is pledged to the Bank without the Bank's written approval.

The Bank shall evaluate the guarantee value of assets pledged as collateral. This valuation shall apply unless otherwise agreed in a collateral agreement. The guarantee value shall be partly based on the asset's market value and shall be reassessed regularly. Since the market value may drop at any time, a reassessment may result in a demand for supplementary guarantees.

If a collateral agreement provides for the guarantee value to be always above a specified minimum, based either on the value of the collateral (for example, a collateral pledge) or the value of the contracts which it is intended to guarantee (for example, derivative contracts), and the value of the guarantees falls below the specified minimum, the client must provide supplementary guarantees in order to satisfy the agreed minimum once more.

#### *2. Time limits*

If Straumur demands collateral or supplementary guarantees, a client must provide satisfactory collateral within five (5) banking days. The Bank may, in exceptional instances, set a shorter deadline, demand guarantees that same day, or shorten a time limit previously granted.

#### *3. Notifications, means of communication*

Straumur may ask for collateral/supplementary collateral by telephone, by e-mail, fax or any other durable medium. A notification shall be deemed to have been sent to the correct destination if sent to the e-mail address/fax number provided by the client on signing these Terms and Conditions, unless it is obvious to the sender that a notification has not been delivered. A client shall be liable if his/her/its server/fax machine fails to deliver an e-mail/fax message, for example, because of a failure of a computer system/telephone/fax lines. Notifications made by telephone are considered to have been understood by the client immediately.

A client must notify the Bank immediately of any changes to an address, telephone number, e-mail address or other similar contact information.

## Article 14

### Setting-off (netting) of contracts

1. The following provisions shall apply to all capital markets and treasury activity, including but not limited to the netting (setting-off) in FX trading, securities trading, including derivative contracts, securities lending and money market borrowing and lending:

1. If contracts involve corresponding obligations which are to be fulfilled by the same type of payment, for example in the same currency or same type of security, on the same day the Bank may apply netting, with the result that only any remaining difference is paid;
2. if contracts involve corresponding obligations which are to be fulfilled the same day, but not in the same type of payment, the Bank may nonetheless apply netting, with the result that only any remaining difference is paid. If payments are not in the same currency, the Bank may convert a payment to a currency of its choosing or other currency agreed before applying netting;
3. If the obligations of a client pursuant to a contract being called in, the Bank may apply netting to claims under all the contracts unless such contract(s) expressly exclude setting off the profit or loss of each party against that of the other and making payment of any remaining difference.

2. Claims covered by this Article must be advanced with at least five (5) banking days' notice, in parallel, however, to a notice of default.

3. In signing these Terms and Conditions, a client acknowledges accepts the establishment of a written agreement with Straumur, to the effect that the obligations of the client and the Bank, pursuant to a derivatives contract, shall be balanced against one another by netting, on the renewal of or failure to meet the contract or, in the case of a debt moratorium, composition with creditors or bankruptcy, and the agreement shall continue to be fully valid.

## Article 15

### Non-fulfillment and Straumur's authorisation to call in a client's obligations

#### 1. *Insubstantial non-fulfillment*

If a client fails to fulfill obligations pursuant to these Terms and Conditions or a contract making reference to these Terms, and such non-fulfillment is not considered substantial, the client shall, to the extent that the failure is rectifiable have five (5) banking days in which to rectify the matter which resulted in the said non-fulfillment. This time limit shall run from the time the non-fulfillment is identified by the Bank.

#### 2. *Substantial non-fulfillment*

The Bank may, but is not obliged to, call in or close a contract and/or contracts without prior notice if a client substantially fails to fulfill obligations. Closure through an offset contract which eliminates overall market risk shall be based on fair prices reflecting market prices, interest rates and terms to clients at the time. Calculation of profit/loss shall take market conditions on the call date into account.

The following instances shall always be regarded as substantial non-fulfillment in this context:

- If a client, when capable of rectifying has not rectified an instance of non-fulfillment within five (5) banking days, cf. Point 1 of above;
- if a client has other instances of non-fulfillment with the Bank apart from those covered by these Terms and Conditions and has not rectified this within five (5) banking days from the time non-fulfillment began, or has repeatedly failed to fulfill obligations to the Bank;
- if a client fails to provide collateral/supplementary guarantees within the specified time limit, cf. Point 2 of above, if a client's loss on a contract exceeds 80% of the market value of collateral;
- if the original contracts have not been received by Straumur within five (5) banking days of the date of the contract or, if it is within this time limit, before the due date, provided the client received the contracts on the date of the contract or before the due date;
  - (i) if a client's property is attached,
  - (ii) a client requests a debt moratorium,
  - (iii) a client reaches composition with creditors, or
  - (iv) a client reaches agreements with general creditors for partial cancellation of debts,
  - (v) a request is submitted that the client be subject to bankruptcy proceedings (or the law provides for or demands that such a request be made),
  - (vi) forced auction of the client's assets is requested, or
  - (vii) a client's financial situation is such that there is considerable likelihood that the client will not be able to fulfill obligations under these Terms and Conditions.
- if a client neglect to inform the Bank of its decision to merge with another company, divide the company to independent companies, change the purpose of the company or disregard obligation to inform Straumur in accordance with agreed communication form.

#### 3. *Communications*

Straumur shall notify a client that his/her/its obligations are called in or that a contract or contracts have been closed as a result of substantial non-fulfillment. Such notification shall be sent as provided for in Point 3 of above.

#### 4. *Methods applied in settlement, valuation and conversion*

If a contract or contracts are netted, called in or closed, the Bank shall calculate a client's profit/loss on the contract or contracts in question, as well as the market value of collateral, as provided for in the following paragraph. The Bank shall send these calculations to the client no later than fifteen (15) days after the calling in or closure of a contract/contracts, if the client so requests.

Assessment of market value of financial instruments listed on a stock exchange shall be based on closing prices on the relevant exchange the day before the valuation was made, unless otherwise provided for in the relevant contract. If, in the Bank's estimation, price formation that day was abnormal, valuation may be based on closing prices of additional trading days, and consideration had for the turnover of the securities on individual days. Straumur shall carry out a valuation of unlisted securities, taking into account the price which leading financial undertakings conducting transactions with the Bank involving pay for the relevant securities.

Straumur may, but is not obliged to, convert non-fulfilled claims into other currencies.

### *5. Calculation of penalty interest*

A client shall pay penalty interest on the Bank's claims as at the due date or, as appropriate, the call date if a claim is called in before the agreed due date.

#### 5.1 Calculation of penalty interest

Claims shall bear penalty interest 6 percentage points higher than the interest rate agreed for the particular transaction. However, if a transaction contract includes a provision for penalty interest that provision prevails.

If a claim does not bear a negotiated interest rate, for example because it was a cash transaction in securities, penalty interest shall apply as follows:

5.1.1. EUR claims shall bear current 1M EURIBOR rates, plus a non-fulfillment premium of 6 percentage points, payable on the amount due or called in from the due date until the date of payment. EURIBOR (European Interbank Offered Rate) interest shall mean the interest on the interbank market in the Member States of the Eurozone as advertised at 11:00 am local time in Brussels on the EURIBOR01 Reuters page.

5.1.2. Claims in other foreign currencies shall bear current 1M LIBOR rates for the currency in question, plus a non-fulfillment premium of 6 percentage points, payable on the amount due or called in from the due date until the date of payment. LIBOR (London Interbank Offered Rate) interest shall mean the interest on the inter-bank market in London as advertised at 11:00 am local time in London on the BBA Reuters page. If the currency in question is not generally included in the BBA rate schedule, the interest rate shall be based on other inter-bank interest rates or interest rates on the currency swaps market as currently listed by the Bank.

#### 5.2 Claims in ISK

Claims in ISK, or which have been converted to ISK, shall bear penalty interest in accordance with the applicable decision by the Central Bank of Iceland at the relevant time, on the base rate for penalty interest and non-fulfillment premium, on the amount due or called in from the date due until the date payment is made.

Unpaid penalty interest shall be added to the debt principal at intervals of twelve (12) months, in the first instance twelve (12) months after the first day of non-fulfillment, whether the debt is in ISK or a foreign currency.

### *6. Costs*

In the event of non-fulfillment, the client is obliged to pay Straumur all costs incurred by Straumur as a result of the non-fulfillment, of bringing legal action and other litigation costs, remuneration to legal counsel or other costs to be paid by the Bank, as well as other legal cost resulting from collection pursuant to these Terms and Conditions and/or the relevant contract(s) as well as charges assessed in accordance with the Bank's tariff.

### *7. Enforcement authorisation*

In the event of a client's obligations being called in or a contract/contracts closed, in full or in part, the Bank may, without further notice seek satisfaction for its claims in those guarantees or collateral which the client has provided by any means it chooses, including the sale of financial instruments without forced auction. Straumur may itself decide whether it seeks satisfaction in all the guarantees pledged or only part of them and, in such case, in what order it proceeds.

## **Article 16**

### **Compliance with applicable laws**

1. All business Straumur conducts with or for a client shall be governed by these Terms and Conditions and by applicable laws, regulation and market practice. In the event of any conflict between these Terms and Conditions and any applicable law, regulation or market practice, Straumur shall be entitled to comply with applicable law, regulation or market practice rather than with these Terms and Conditions.

2. The client hereby authorises Straumur to take, or refrain from taking, any action, including the disclosure of any information relating to the client or to the client's transactions with Straumur or any affiliate it considers appropriate for the purpose of complying with any such applicable law, regulation or market practice. The client agrees that neither Straumur nor any affiliate, director, officer or employee shall be liable as a result of taking, or refraining from taking, any action in good faith to comply therewith.

## Article 17

### Contractual liability, declaration of non-liability

1. In affixing signing these Terms and Conditions, a client declares that he/she/it is aware that transactions which he/she/it may conclude on the basis of these Terms could contain inherent risk factors, as is explained in the risk awareness chapter. Trading in unlisted securities is, in addition, considerably more risky than in listed securities, in part because no reliable information is available on their issuers, and their liquidity and price formation is, as a rule, less than that of listed securities; as a result, it may take longer to realise the value of unlisted securities and their valuation is more uncertain. Derivative trading can also involve high risk. A client should, therefore, seek outside experts' advice if he/she/it feels it is necessary. If a client asks the opinion of Bank employees concerning a specific transaction, any opinion which any Bank employee may provide in response exclusively represents the opinions of the particular employee at that time and may change. If clients are advised to refrain from certain types of trades, Straumur strongly recommends that they do not engage in them. Risk warnings can be mediated orally or through a durable medium.

2. The client is aware that the Bank's transactions covered by these Terms and Conditions comprise neither market making nor asset management. As a result, the Bank does not assume responsibility for notifications to clients on the status of their contracts or their closure once certain limits are reached, unless specifically agreed with such specific and general reservations as may apply in each instance. It is, therefore, the client's responsibility to follow the situation and development of contracts concluded with the Bank, unless otherwise agreed.

**3. Straumur bears no responsibility for any losses claimed by a client as the result of a decrease in security prices, or exchange rate changes, following calls, for example profits which a client maintains he/she/it would have made on exchange rate developments if no call had occurred. Since market conditions may change in a very short time, the Bank cannot ensure that a client's request for a transaction can be implemented at the rate requested. The Bank bears no responsibility for any loss incurred by a client if a transaction is processed at a rate less favourable than that anticipated at the time of the request, for example as a result of price changes during the time it takes to implement the request. This provision shall, however, apply only in exceptional cases when the Bank cannot manage, despite its employees' prompt reaction, to fix the exchange rate for a specific transaction which the client requested.**

**4. Straumur bears no responsibility if a client fails to fulfill obligations towards the Bank, with the result that the Bank appropriates collateral, or applies such provisions as grant it authority to sell or otherwise dispose of collateral at a lower price or rate than the client may have anticipated.**

**5. If any taxes and/or public levies are payable on transactions covered by these Terms and Conditions and/or a contract with the Bank, a client must pay such additional charges direct to the authorities concerned, so that the Bank will receive the full amount to which it is entitled pursuant to the contract in question.**

**6. Straumur bears no responsibility for any damage or loss incurred by a client as a result of force majeure, such as natural catastrophes, terrorist acts, wars or imminent conflicts, strikes, lockouts or trade embargoes.**

**7. Straumur bears no responsibility for any damage or loss resulting from events of a political, financial, technical (including telecommunications disruptions) or economic nature, which are liable to prevent, interrupt or disrupt, in full or in part, the services it provides, even if those events are not classified as a force majeure.**

**8. Straumur bears no responsibility for any damage or loss incurred by a client resulting directly or indirectly from a failure of the Bank's equipment or computer systems, or other similar causes, such as from use of the Bank's e-mail system, telephones or fax machines.**

## Article 18

### The Bank's information disclosure obligation and notifications

1. Straumur shall deliver to/send a client a receipt for each purchase or sale of securities and for currencies carried out on the client's behalf within ten (10) days of its occurrence. If a client has not raised any objections in writing to a receipt or summary within thirty (30) days of their dispatch, the Bank assumes the information contained therein to be correct, with the exception of any obvious errors. Should any errors come to light they must be corrected and notified.

2. Straumur shall send a client notification of the due date for payment of a contract, stating the amount and how it is to be paid. If a contract is called in, or a client fails to make payment on the due date, the Bank shall send the client a notification of the Bank's calculation of the payment obligation and, as appropriate, the value of the collateral appropriated. The notification must be sent within twenty-one (21) days of the due date, date of call or date on which the collateral was appropriated.

3. Straumur will send the client a statement every six (6) months where applicable, in accordance with its policy.

## Article 19

### The client's information disclosure obligation and notifications

The client shall be obliged to notify the Bank immediately of any instances of non-fulfillment, which arise or are foreseeable, covered by these Terms and Conditions and other contracts between the Bank and its customers.

## Article 20

### Restrictions

There are no restrictions on the investments and markets in which a client may invest subject however to Straumur's suitability assessment.

A client represents, warrants and undertakes that:

- (a) He/she/it has obtained and will maintain all necessary authorisations and approvals of any government or regulatory body necessary for the client to use, and to perform the client's obligations arising from, the services Straumur may provide to the client under these Terms and Conditions;
- (b) the client has, and will have, full power and capacity under the client's constitution, and has taken, and will have taken, all necessary corporate and/or other action to authorise the client to use, and to perform his/her/its obligations arising from, the services Straumur may provide to the client under these Terms and Conditions;
- (c) by entering into, and using the services Straumur may provide to the client under these Terms and Conditions the client will not violate any law, regulation, charter, bylaw or rule applicable;
- (d) any of the client's employees, agents or representatives who negotiate and enter into transactions with Straumur on the client's behalf are properly authorised by the client to do so, and have sufficient knowledge and experience to commit the client to such transactions;
- (e) if the client is acting as an agent in any transaction under these Terms and Conditions:
  - (i) the client is authorised and empowered to enter into the transaction on behalf of the client's principal;
  - (ii) the obligations under the transaction and these Terms and Conditions will constitute valid and binding obligations of the client's principal;
  - (iii) the client will hold or control sufficient money and/or securities to complete the transaction and have good grounds for believing the client's principal will not fail to meet its obligations under the transaction;
  - (iv) the client will be liable jointly and severally with the client's principal to Straumur under the transaction and these Terms and Conditions;
- (f) the client authorises Straumur to conduct any foreign exchange transactions the Bank deems necessary or reasonably incidental to carry out the client's instructions or protect Straumur's rights under these Terms and Conditions, and the client agrees to assume all risks associated with foreign exchange transactions and currency conversions;
- (g) the client will provide Straumur on request with evidence reasonably satisfactory to Straumur of the client's constitution, business, financial condition, identity of the client's owners' directors, officers, employees and agents and such other matters as Straumur may require to enable it to comply with applicable law including (but not limited to) applicable law concerning money laundering, and promptly notify Straumur of any changes thereto; and
- (h) the client hereby authorises Straumur to provide or obtain information about the client, his/her/its accounts and transactions to or from Straumur's branches, affiliates, agents or third parties around the world, for purposes reasonably incidental to the services Straumur or its affiliates provide to the client. This shall be in addition to instances where disclosure is permitted by law. Disclosure may also be made to government and regulatory agencies and authorities, and to credit reference agencies.

## **Article 21**

### **Charges and fees**

1. Straumur's commissions, charges and fees, for services, shall be in amounts as agreed between Straumur and the client from time to time. In addition, Straumur may make and retain mark-ups and mark-downs on its transactions with the client. Straumur may share dealing charges with affiliates or other third parties, or receive remuneration from them, in addition to fees due to Straumur, in respect of transactions carried out on the client's behalf. Details of any such remuneration or sharing arrangements may not be set out in the relevant contract note or confirmation note but can be made available to the client on request.
2. In addition to the above charges, the client will pay applicable market, clearing house or clearing firm fees or charges and any tax or other public levy imposed by any competent authority in connection with Straumur's services.
3. The client shall pay any amount which he/she/it owes Straumur on demand in freely transferable, cleared and available funds, in the currency and to the accounts which Straumur specifies and without making any set-off, counterclaim, deduction or withholding for any present and future tax, levy, impost, stamp duty, deduction, charge or withholding unless the client is required to do so by law. Straumur shall be entitled to withdraw money from the client's accounts to pay any such amounts due and payable to Straumur.

## **Article 22**

### **Client money**

1. Any provision of safe custody services shall be the subject of a separate agreement.
2. Should Straumur hold client financial instruments or client funds, Straumur's client assets policy applies as the laws and regulations.

## **Article 23**

### **Confidentiality and impartiality**

1. The Bank shall maintain confidentiality towards the client concerning all transactions with the Bank and other aspects concerning a client's situation. Straumur shall be entitled, in responding to requests for information from any regulatory authority having jurisdiction over the Bank, to disclose any information known to Straumur, or produce any document relating to the client's business affairs. Straumur shall likewise, if requested or required to do so, be entitled at its discretion to make any such disclosure or production to the regulatory authority, the relevant Stock Exchange or any other recognised or designated investment exchange, any government department, or other relevant authorities or pursuant to any regulatory requirement or request in any country or territory or otherwise under due process of applicable law. According to national regulations in some states, the Bank may be obliged, subject to penalty and loss of voting rights, to provide information on the actual owners of shares in public limited-liability companies, whether or not flagging limits are involved. Straumur may also disclose any such information in other circumstances permitted by law.
2. The client is aware that the Bank itself may be counterparty in contracts or individual transactions, realising at the same time that the Bank is bound by law to exercise the utmost impartiality towards a client in its activities, and to ensure that he/she/it receives fair and equal treatment in all important aspects. A client has the right to be informed of identified conflicts of interests that have not been eliminated. The Bank's market trading on its own account may not in any way whatsoever clash with the interests of its clients. Every attempt shall be made to avoid conducting the Bank's trading in such a manner as could give cause to expect this to conflict with the interests of a client.
3. When a client deals with Straumur, its affiliates or staff, some other person connected to Straumur or other clients may have interests or relationships that are material in relation to the financial instrument, transaction or service concerned. Such material interests, relationships or arrangements may conflict with the client's interests. Straumur has adopted a conflicts of interest policy under which it shall maintain and operate organisational and administrative arrangements with a view to preventing conflicts of interest from adversely affecting the interests of its clients. Information on that policy can be found on Straumur's website. Clients should be aware that in some circumstances the appropriate management of any conflict of interest arising and the fair treatment of the parties under such circumstances may only be achieved by Straumur declining to enter into transactions with the client. In such cases the Bank shall not be obliged to inform the client of the reason why or give the client any other information in relation thereto. Clients will be able to access a summary of Straumur's Conflicts of Interest's policy on the Bank's web site, [www.straumur.net](http://www.straumur.net).

## **Article 24**

### **Complaints**

Should a client have any complaints about the quality of Straumur's service, or about the way in which Straumur has arranged or executed any investment business, the client should contact his normal representative, or alternatively Straumur's Compliance Officer by e-mailing [compliance@straumur.net](mailto:compliance@straumur.net).

## **Article 25**

### **Miscellaneous provisions**

1. These Terms and Conditions are governed by and shall be construed in accordance with Icelandic law. Disputes which may arise concerning interpretation of these Terms and Conditions, or contracts concluded on their basis, shall be brought before the district court in Reykjavík, Iceland. Nothing in this paragraph shall limit the right of either Straumur or the client to take proceedings in any other court of competent jurisdiction, nor shall the taking of proceedings in one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not.
2. In the case of any inconsistency between these Terms and Conditions and the provisions of a contract concluded on their basis, the provisions of that contract shall apply. Signing of this agreement shall not prevent the Bank and client from concluding an ISDA framework agreement on derivatives trading or other similar framework agreement. In such instances, the provisions of the framework agreement shall take precedence to the extent they may be inconsistent with provisions of these Terms and Conditions, unless otherwise decided by the parties.
3. Communications between Straumur and the client may take place in English or in the native language of the country where the principal or branch of Straumur, which handles the communication with the client, is located. The same shall apply to documents and other information which is sent between Straumur and the client.
4. Straumur reserves the right to cancel or change these Terms and Conditions at any time, but must give written notification of doing so; a client shall be considered to have accepted the Bank's action unless a written objection reaches the Bank within thirty (30) days of the date of the notification. The Terms and Conditions may be cancelled by the client, by written notice in advance. Such termination shall be without prejudice to any outstanding obligations the client may have to Straumur including, but not limited to, any charges, fees, other expenses or interest incurred or accrued to the date of termination. Service of notice of termination on Straumur shall be effective only on receipt by the Bank.
5. These Terms and Conditions are standardised and may not be altered by clients. Attestations, deletions, additions or any other type of alteration made by a client are invalid.
6. Headings used in these Terms and Conditions are for explanatory purposes only.
7. The policies referred to in these Terms and Conditions, may be accessed at Straumur's offices or on Straumur's website.

## **Article 26**

### **Notices and confidential information**

1. All notices, communications or instructions shall be transmitted to clients at the addresses in Straumur's records.
2. All notices, communications or instructions shall be given to Straumur through any of its principal places of business listed in these terms. Process agents in specialised agreements supersede this clause.

## Annex I

The undersigned client hereby confirms that he/she/it has received these Terms and Conditions, acquainted himself/herself/itself with their contents and accepts them in all respects. The client also realises and agrees that these Terms and Conditions shall form part of any contract which may be concluded between the client and the Bank.

Location \_\_\_\_\_

Date \_\_\_\_\_

Client \_\_\_\_\_

Company No / ID No \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

E-mail \_\_\_\_\_

Telephone \_\_\_\_\_

Fax \_\_\_\_\_

Authorised signatures of client

\_\_\_\_\_

\_\_\_\_\_

## Annex II

### Example of Power of Attorney

At a meeting of the Board of Directors of [name and ID No of legal entity](the "Company") it was resolved to authorise the employees listed below to conclude contracts based on the General Terms and Conditions for Clients of Straumur as signed by the Company's Board of Directors on [ ]:

Name and specimen signature: [ ... ]

ID No [ ... ]

Position/department [ ... ]

Telephone [ ... ]

Fax [ ... ]

E-mail [ ... ]

Type of contracts [ ... ]

Amounts [ ... ]

Anything done by each of the above-named employees, pursuant to this Power of Attorney, shall be equivalent to such action by the Board of the Company itself. Any changes made to Powers of Attorney issued shall be notified in writing to the Bank. The Company shall thus be bound by any and all contracts established by the above-mentioned parties, until a valid revocation is received by the Bank.

Should the Company wish to entrust another employee or employees with Power of Attorney to conclude contracts with Straumur, notification of such, signed by the Company's Board of Directors, shall be sent to the Bank.

Reference is also made to the accompanying list of Company signatures dated \_\_\_\_\_ Members of the Board of [ ]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# Risk awareness

## 1. Introduction

The risk warnings set out in this chapter cannot cover all the risks and significant aspects of warrants and derivative products, such as futures, options and contracts for differences. Clients should not deal in these products unless they understand the nature of the transaction they are entering into and the extent of their exposure to potential loss. Clients should also be satisfied that transactions are suitable for them in the light of their circumstances and financial position. Certain strategies, such as a "spread" position or a "straddle", may be as risky as a simple "long" or "short" position. While warrants and derivative instruments can be used to manage investment risk, for many investors, some investments are unsuitable. Different instruments involve different levels of exposure to risk and, in deciding whether to trade in such instruments, clients should be aware of the following points.

## 2. Warrants and derivatives risk warning notice

### 2.1 Warrants

A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities. A relatively small movement in the price of the underlying security may result of a subscription centered by a warrant in a disproportionately large favorable or unfavorable movement in the warrant's value. The prices of warrants can, therefore, be volatile. It is essential that anyone who is considering purchasing warrants understands that the right is invariably limited; if the investor fails to exercise this right within the predetermined time-scale the investment becomes worthless. Clients should not buy a warrant unless they are prepared to sustain a total loss of the investment, plus any commission or other transaction charges. For the avoidance of doubt, some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, is often called a "covered warrant").

### 2.2 Off-exchange warrant transactions

Transactions in off-exchange warrants may involve greater risk than dealing in exchange-traded warrants because there is no exchange market through which to liquidate a client's position, to assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted and, even if they are, they will be established by dealers in the instruments and it may be difficult to establish what is a fair price.

### 2.3 Futures

Transactions in futures involve the obligation to make, or take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The "gearing" or "leverage" often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of a client's investment, which can work against the client. Futures transactions have a contingent liability, and clients should be aware of the implications, particularly the margining requirements.

### 2.4 Options

There are many different types of options with different characteristics subject to the following conditions.

*Buying options:* Buying options are less risky than selling options because, if the price of the underlying asset moves against the client, he can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. If, however, a client buys a call option on a futures contract and later exercises the option, he will acquire the future. This will expose the client to the risks described under "futures" and "contingent liability investment transactions".

*Writing options:* If a client writes an option, the risk involved is considerably greater than in buying an option. The client may be liable for margin to maintain his position and a loss well in excess of the premium received may be sustained. By writing an option, a client accepts a legal obligation to buy or sell the underlying asset if the option is exercised against the client, however far the market price has moved away from the exercise price. Unless the client already owns the underlying asset which he/she/it has contracted to sell (known as "covered call options") the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

## **2.5 Contracts for differences**

Futures and options contracts can also be referred to as a contract for differences. These can be options and futures on the OMX stock exchanges, or any other, index, as well as currency and interest rate swaps. Unlike other futures and options, however, these contracts can only be settled in cash. Clients should be aware that investing in a contract for differences carries the same risks as investing in a future or an option. Equally, clients should be aware that transactions in contracts for differences may also have a contingent liability.

## **2.6 Off-exchange transactions in derivatives**

It may not always be apparent whether a particular derivative is arranged in an exchange or in an off-exchange derivative transaction. While some off-exchange markets are highly liquid, because there is no exchange market on which to close out an open position, transactions in off-exchange or "non-transferable" derivatives may involve greater risk than investing in on-exchange derivatives. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid prices and prices need not be quoted and, even when they are, because they are set by dealers in these instruments it may be difficult to establish what is a fair price.

## **2.7 Emerging markets**

Emerging markets involve different, and sometimes greater, risks than more established markets. On request, the Bank must provide an explanation of the relevant risks and protections (if any) which will operate in any emerging market or non EEA/USA market, including the extent to which it will accept liability for any default of a foreign firm through which it deals. The potential for profit or loss from transactions on emerging markets or in foreign-denominated contracts will be affected by fluctuations in foreign exchange rates.

## **2.8 Contingent liability investment transactions**

Under contingent liability investment transactions, which are margined, the client makes a series of payments (rather than an immediate single payment) against the purchase price. If a client trades in futures contracts for differences or sell options, he/she/it may sustain a total loss of the margin he/she/it deposits with the Bank to establish or maintain a position. If the market moves against him, he/she/it may be called on to pay a substantial additional margin at short notice to maintain his/her/its position. If he/she/it fails to do so within a given period, his/her/its position may be liquidated at a loss and he/she/it will be responsible for the resulting deficit. Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when he/she/it entered into the contract. Contingent liability investment transactions which are not traded on or under the rules of a recognised or designated investment exchange may expose clients to substantially greater risks.

## **2.9 Limited liability transactions**

Before entering into a limited liability transaction, a client may request a written statement confirming that the extent of his/her/its loss liability on each transaction will be limited to an agreed amount. The amount a client can lose in a limited liability transaction will be less than in other margined transactions, but may be sustained in a relatively short time. While a client's loss may be limited, the risk of sustaining a total loss to the amount agreed is substantial.

## **2.10 Collateral and guarantees**

If a client deposits collateral as security with the Bank, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of the collateral, depending on whether the client is trading on a recognised or designated investment exchange, with the rules of that exchange (and the associated clearing house) applying, or trading off-exchange. Please make note of the Collateral and guarantees chapter earlier in these terms.

## **2.11 Commissions**

Before a client begins to trade, he/she/it should obtain details of all commissions and other charges for which he/she/it will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), he/she/it should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, rather than simply as a percentage of the initial payment.

## **2.12 Suspensions of trading**

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

## **2.13 Clearing house protections**

On many exchanges, the performance of a transaction by a client's firm (or third party with whom it is dealing on the client's behalf) is "guaranteed" by the exchange or clearing house. However, this guarantee is likely in most circumstances to cover the client and may not protect the client if his/her/its firm or another party defaults on its obligations. On request, the Bank must explain any protection provided to a client under the clearing guarantee applicable to any on-exchange derivatives in which he/she/it is dealing. There is no clearing house for traditional options, nor normally for off-exchange instruments which are not traded under the rules of a recognised or designated investment exchange.

## **2.14 Insolvency**

The insolvency or default of any entity involved in a client's transaction, may lead to positions being liquidated or closed out without his/her/its consent. In certain circumstances, the client may not get back the actual assets which he/she/it lodged as collateral and may have to accept any available payments in cash. On request, the client must be provided with an explanation of the extent to which the Bank will accept liability for any insolvency of, or default by, other firms involved with the client's transactions.

## **3. Generated risks associated with OTC derivative transactions**

This statement of generic risks associated with over-the-counter ("OTC") derivative transactions identifies in general terms certain of the principal risks associated with individually negotiated OTC derivative transactions. The attached statement does not purport to identify the nature of the specific market or other risks associated with a particular transaction.

Before entering into an OTC derivative transaction, clients should ensure that they fully understand the terms of the transaction, relevant risk factors, the nature and extent of the risk of loss and the nature of the contractual relationship into which they are entering. Clients should also evaluate carefully whether a transaction is appropriate for them in light of their experience, objectives, financial resources, and other relevant circumstances and whether they have the operational resources to monitor the associated risks and contractual obligations over the term of the transaction. If clients are acting as financial advisers or agents, they should evaluate these considerations in light of the circumstances applicable to their principals and the scope of their authority.

If a client believes he/she/it needs assistance in evaluating and understanding the terms or risks of a particular OTC derivative transaction, he should consult appropriate advisers before entering into the transaction.

Unless Straumur has expressly agreed in writing to act as the client's adviser with respect to a particular OTC derivative transaction pursuant to the terms and conditions specifying the nature and scope of the Bank's advisory relationship, Straumur is acting in the capacity of an arm's length contractual counterparty to the client in connection with the transaction and not as a financial adviser or fiduciary. As a result, unless Straumur has agreed to act as a client's adviser, the client should not regard transaction proposals, suggestions or other written or oral communications from Straumur as recommendations or advice or as expressing Straumur's view as to whether a particular transaction is appropriate for the client or meets his/her/its financial objectives.

Straumur may from time to time take proprietary positions and/or make a market in instruments identical or economically related to OTC derivative transactions entered into with the client, or may have an investment banking or other commercial relationship with, and access to information from, the issuer(s) of securities, financial instruments, or other interests underlying OTC derivative transactions entered into with the client. Straumur may also undertake proprietary activities, including hedging transactions related to the initiation or termination of an OTC derivative transaction with the client, that may adversely affect the market price, rate, index or other market factors underlying an OTC derivative transaction entered into with the client and consequently the value of the transaction.

OTC derivative transactions, like other financial transactions, involve a variety of significant risks. The specific risks presented by a particular transaction necessarily depend on its terms and a client's circumstances. In general, however, all OTC derivative transactions involve some combination of market risk, credit risk, funding risk and operational risk.

*Market risk:* Market risk is the risk that the value of a transaction will be adversely affected by fluctuations in the level or volatility of, or correlation or relationship between, one or more market prices, rates or indices or other market factors or by illiquidity in the market for the relevant transaction or in a related market.

*Credit risk:* Credit risk is the risk that a counterparty will fail to perform its obligations to the client when due.

*Funding risk:* Funding risk is the risk that, as a result of mismatches or delays in the timing of cash flows due from or to the client's counterparties, OTC derivative transactions or related hedging, trading, collateral or other transactions, the client or his/her/its counterparty will not have adequate cash available to fund current obligations.

*Operational risk:* Operational risk is the risk of loss to the client arising from inadequacies in, or failures of, the client's internal systems and controls for monitoring and quantifying the risks and contractual obligations associated with OTC derivative transactions, and for recording and valuing OTC derivative and related transactions or for detecting human error, systems failure or management failure.

There may be other significant risks which the client should consider based on the terms of a specific transaction. Highly customised OTC derivative transactions, in particular, may increase liquidity risk and introduce other significant and complex risk factors. Highly-leveraged transactions may experience substantial gains or losses in value as a result of relatively small changes in the value or level of an underlying or related market factor.

Because the price or other terms on which the client may enter into or terminate an OTC derivative transaction are individually negotiated, these may not represent the best price or terms available from other sources. In evaluating the risks and contractual obligations associated with a particular OTC derivative transaction, a client should also consider that an OTC derivative transaction may be modified or terminated only by mutual consent of the original parties and subject to agreement on individually negotiated terms. Accordingly, it may not be possible for the client to modify, terminate or offset his/her/its obligations or his/her/its exposure to the risks associated with a transaction before its scheduled termination date.

Similarly, while market makers and dealers generally quote prices or terms for entering into or terminating OTC derivative transactions and provide indicative or mid-market quotations with respect to outstanding OTC derivative transactions, they are generally not contractually obliged to do so. In addition, it may not be possible to obtain indicative or mid-market quotations for an OTC derivative transaction from a market maker or dealer which is not a counterparty to the transaction. Consequently, it may also be difficult for a client to establish an independent value for an outstanding OTC derivative transaction. A client should not regard his/her/its counterparty's provision of a valuation or indicative price at his request as an offer to enter into or terminate the relevant transaction at that value or price, unless they are identified by the counterparty as firm or binding.

This brief statement does not purport to detail all the risks and other material considerations associated with OTC derivative transactions. Clients should not construe this generic disclosure statement as business, legal, tax or accounting advice or as modifying applicable law. They should consult their own business, legal, tax and accounting advisers with respect to proposed OTC derivative transactions and should refrain from entering into any OTC derivative transaction unless they fully understand the terms and risks of the transaction, including the extent of their potential risk of loss.

#### **4. Generic risks associated with equities transactions**

Investments in equities are speculative and will fluctuate in value. It should not be assumed that the value of investments will always rise. Past performance will not necessarily be repeated and is no guarantee of future success. Changes in currency exchange rates may affect the value of investments. Some markets tend to be more volatile than others and the value of investments could, in some circumstances, move sharply up or down. In some circumstances underlying investments may become illiquid which may limit clients' ability to realise some or all of the investment. The registration and settlement arrangements in some markets may be less developed than in others, leading to greater operational risks and political risks are greater in some regions than in others.

#### **5. Financial instruments composed of two or more different financial instruments**

Where the risks associated with a financial instrument composed of two or more different financial instruments or services are likely to be greater than the risks associated with any of the components, the investment firm shall provide an adequate description of the components of that instrument and the way in which its interaction increases the risks.

#### **6. Financial instruments that incorporate a third-party guarantee**

In the case of financial instruments that incorporate a guarantee by a third party, the information about the guarantee shall include sufficient detail about the guarantor and the guarantee to enable the retail client or potential retail client to make a fair assessment of the guarantee.





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