Descriptions of the financial instruments and related risks

AS Meridan Trade Bank draws your attention to the following risks, including (but not limited) arising from operations with financial instruments and client must take them into account conducting any operations with financial instruments or submitting orders for financial instruments:

Government (political) risk —a possibility of losses or reduction of profits resulting from implementation of government policies or an unstable political system or the various sanctions that affect the current and future development of the country or region.

Credit risk

Risk of losses that may occur if the issuer or counterparty is incapable or refuses to settle its contractual liabilities

Risks of third parties

Risk of losses that may occur as a result of actions, omissions of intermediaries, depositories, partners, administrators of the electronic trading platforms and other third parties that are involved in execution of orders, processing of transactions, settlements, custody of financial instruments and funds for transactions with financial instruments.

Currency risk

Risk of losses that may occur due to unfavorable changes in exchange rates.

Interest rate risk

Risk of losses that may occur due to unfavorable changes in interest rates

Price risk

Risk of losses that may occur due to price changes of a financial instrument or currency rate

Market risk

Risk of losses may occur due to unfavorable changes of market price of a financial instrument. Price of a financial instrument is influenced by such factors as currency risk, price risk, interest rate risk and other.

Liquidity risk

Risk of losses may occur when dealing with a financial instrument hindered due to lack of market demand or supply. In this situation, the difference between buy and sell price (spread) may increase and market price may significantly differ from expected, so the customer may incur losses. Liquidity risk arises mostly in unregulated markets, but also may occur in regulated markets.

Operational risk

Risk of losses that may occur in case of errors of information systems, technical disruptions in trading platforms, external factors that affect operations of trading platforms, communication systems, and information systems (interruptions in electricity supply, connection errors, cybercrimes, and other), imperfections of work processes, human errors and other factors, disruptions of global payment systems and clearing centers, and communication channels.

Information risk

Risk of losses that may occur due to lack of reliable information of current market prices of financial instrument and currency exchange rates, as well as information of facts and events affecting prices of financial instrument and currencies.

Legal risk

Risk of losses that may occur due changes in legislation, adoption of new legal acts, regulas, etc., which might in any way limit investment opportunities in financial instrument or increase costs of holding of financial instrument.

Other risks

Risks of force majeure, such as natural or technological disasters, acts of terrorism, acts of war, strikes, etc.

There are specific risks, which can be attributed (but not limited) to specific financial instruments according to their specifications (see table).

Financial Instrument (FI)	**Description of FI**	**Major risks**
1. Stocks, Equities	Stock or Equity is a security that signifies the right of the owner to participate in the company's capital. Stocks issued via public offering are traded in centralized trading floors (exchanges) in country of registration of the company or in foreign markets (ADR's, GDR's). Stocks that are not subject to public offering do not have a centralized trading floor, and ability to purchase / sale of such instruments is limited.	Market risk, liquidity risk, credit risk, risk of withdrawal of securities from public offering and etc.
2. Bonds and	A debt security which gives rights to the	Market risk, liquidity risk, credit risk.

other Debt securities	owner to receive from the Issuer the nominal value of the bond on its maturity and / or accrued interest. Full detailed information of each debt security is available in prospectus of a particular issue of such financial instrument. Price of bond is affected by the interest rates prevailing in financial market and market participants' opinion on the possibility of the issuer to repay the debt. If interest rates in the financial market are growing then the bond price falls, and in opposite if rates fall, the price of the bond increases. Subordinated bonds/securities? Structured bonds/securities? Index-linked bonds/securities?	Bonds are primarily traded in OTC markets. Unfavorable situation in financial markets may significantly reduce liquidity (particularly for securities with low credit rating), resulting in limited ability buy or sell bonds at expected prices. For some bonds, according to security prospectus, it is possible an early redemption option, which may affect to the expected cash flows.
3. Investment funds and ETF (Exchange Traded Funds) share	Security, very similar to share, that certifies the ownership of a certain percent of assets of the investment fund. Structure of the fund's assets is available in its prospectus. Structure of assets of ETF may include derivatives and as a result ETF price may vary greater than price of base assets included in ETF.	Market risk, liquidity risk.
4. CFD (Contract For Difference)	Derivative, which price depends of market price changes of the underlying base asset. As the underlying base assets may be: stocks, indices, commodities, futures, emission quotas and others assets. For maintaining position in CFD fee may apply - Financing cost. The cost of maintaining the position linked to the index of the money, to which is added the banking margin pursuant to the Fees. CFD is usually subject to Margin Trading and Leverage.	Market risk, liquidity risk, credit risk. Under certain market conditions (for example, prohibition by regulator of "short" positions), counterparty of CFD contracts can forcibly close positions that may affect expected profit / loss of the investor. As a result of changes in interest rates may increase costs on maintaining positions. Margin call and Stop Out - Bank may at any time request the Customer to increase collateral for maintaining positions in CFD's (Margin Call), or forcibly close all client positions (Stop Out) in situation when collateral is reaching a critical level, resulting client investment account may happen in

		negative balance, so client would lost more funds than initially invested.
5. Futures	Standardized contract that is traded in global exchanges. The owner of the contract has an obligation to buy or sell a specific amount of an asset in the future. Futures are usually subject to Margin Trading and Leverage.	Market risk, liquidity risk. Forced closing of positions on the contract expiration day. Margin call and Stop Out - Bank may at any time request the Customer to increase collateral for maintaining positions in futures (Margin Call), or forcibly close all client positions (Stop Out) in situation when collateral is reaching a critical level, resulting client investment account may happen in negative balance, so client would lost more funds than initially invested.
6. Options	Financial contract that gives an investor the right to buy (Call Option) or sell (Put Option) the underlying asset at a specified price on a specified future date, or any date during the term of the contract. The price of option depends on the price of the underlying asset, time to expiration, interest rate and volatility of the underlying asset. Risk is limited to the option buyer and losses can't be more than the premium paid. Seller of an option contract has unlimited risk and exposed to the changes in pricing of the contract depending on the above factors. Options are usually subject to Margin Trading and Leverage.	Market risk, liquidity risk, credit risk. Margin call and Stop Out - Bank may at any time request the Customer to increase collateral for maintaining positions in Option contracts (Margin Call), or or forcibly close all client positions (Stop Out) in situation when collateral is reaching a critical level, resulting client investment account may happen negative balance, so client would lost more funds than initially invested. This risk applies only to "short" options contracts positions, i.e. when client acts as a seller of the option contracts.
7. Margin trading	Derivative that allow investors to enter into transactions with the assets (currency i.e. Forex, precious metals, commodities, etc.) with a Leverage. Physical delivery of the assets does not occur but netted so investment account of the client books net profit/losses results from the purchase/sale of assets. In the process of maintaining and carrying open margin positions funding	Market risk, liquidity risk, credit risk. Margin call and Stop Out - Bank may at any time request Customer to increase collateral for maintaining margin trading positions (Margin Call), or or forcibly close all client margin trading positions (Stop Out) in situation when collateral is reaching a critical level, resulting client investment account may happen in negative balance, so client would lost more funds than initially invested.

	costs may be charged (swap points, cost security loans, et). Size of swap points and other form of funding costs depends of interest rates in money market, situation in security lending markets to which bank mark ups can be added according to the Fees. Margin trading and Leverage are widely used for Forex, CFD, Options and Futures trading.	
8. Forward	OTC contract to buy or sell currencies or other assets at a price agreed at the time of the transaction, with settlements of currency or other assets in a specific date in the future. Price of forward contracts depend of the Spot price of underlying asset and interest rates in the market.	Market risk, liquidity risk, credit risk. Margin call and Stop Out - Bank may at any time request Customer to increase collateral for maintaining Forward positions (Margin Call), or or forcibly close all client Forward positions (Stop Out) in situation when collateral is reaching a critical level, resulting client investment account may happen in negative balance, so client would lost more funds than initially invested Forced closing of positions can also occur in case of default by client to deliver underlying asset on settlement date.