Risk Disclosure

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1 Introduction

Whatever product you choose for your investments, there is always an associated risk for trading this product. The value of investments can go up as well as down and you may receive back less than your original investment or lose your entire investment. Investments for which you expect high returns often lead to higher risks as well. Keep these risks in mind when trading and try to trade with care.

This document is aimed at providing an overview of the specific risks involved in trading shares. The list is aimed at providing an overview that is as good and complete as possible, but is not collectively exhaustive. Therefore, it is always important to be aware of the fact that there are risks involved in trading and you should consider carefully if you are prepared to and can afford to run these risks.

Before opening an investment account with BUX it's important that you are aware of the involved risks and agree that you have read and understand these risks. Please read this document carefully before continuing the on-boarding process for opening an investment account for shares with BUX.

2 General Risks of investing with BUX

Market risk

Market risk is the risk of the value of the shares you invested in declining due to market circumstances and factors that affect the overall performance of the financial markets.

Price risk

Shares can fluctuate in price. Price risk is the risk of a decline in the price of a share and it is mainly influenced by the performance of the company you invested in and developments in the sector in which that company is active.

Bankruptcy risk

When a company you invested in defaults, your shares lose their value. In this case there is a clear risk of losing (part of) your investment and not getting back your invested amount.

Geographic risk

The political and economic stability of the country in which the company you invested in is established and/or active, can have an influence on the price of the shares. If a country becomes unstable, this can lead to increased risks.

Liquidity risk

Liquidity risk is the risk of limited marketability. The liquidity of a share depends on the volume of outstanding shares available for trade (the free float) and the volume of the transactions in that share. If the market is not sufficiently liquid, you run the risk of being unable to sell your shares or being unable to do so for a reasonable price.

Currency exchange risk

Currency exchange risk occurs when you trade in other currencies than the euro. If the exchange rate of the other currency compared to the euro changes, this will impact the value of your investment.

Timing Risk (applies to Zero Order)

Timing Risk applies to Zero Orders only. Zero Orders are orders which are executed during an execution window. Due to the inherent nature of a moving market, it is likely that the execution price will differ from the price at the moment of instructing the Zero Order.

Delisting risk

Delisting risk is the risk of a financial instrument being delisted from any of the markets that BUX is affiliated with. Delisting of a financial instrument can result in the loss of the entire value of the financial instrument. Delisting can also result in that the financial instrument is only tradeable at the OTC market. As BUX is not affiliated with any OTC market, it will not be able to facilitate any trades on the OTC market.

3 Specific Risks of investing in ETFs

Securities Lending risk

ETFs that use physical replication have the most transparent structure. The securities are actually held in the ETF. However, physical ETFs may lend these securities (known as securities lending) to generate additional returns for the fund. While this generates additional income for the fund, it does create counterparty risk just like synthetic replication.

Counterparty Risk

Under a full replication strategy, an ETF generally aims to invest in all constituent stocks/assets with the same weightings as its benchmark. Under a representative sampling strategy, an ETF invests in some, but not all the relevant constituent stocks/assets. However, even for ETFs that invest directly in the underlying assets rather than through synthetic instruments issued by third parties, there still exists a counterparty risk, as mentioned in the “Securities Lending risk” section above.

Tracking Error

This is the disparity between the performance of the ETF and the performance of the underlying benchmark. Tracking error may arise due to various factors such as, but not limited to, the following:

- Changes in the composition of the underlying benchmark or type of ETF (e.g. physical vs. synthetic)
- Failure of the ETF’s tracking strategy
- Impact of fees and expenses
- Foreign exchange differences between the base currency or trading currency of the ETF and the currencies of the underlying investments
- Active management strategies (e.g. smart beta)

Active management

Some actively managed ETFs may follow a focused objective rather than simply track an index. These ETFs typically aim to outperform the market or benchmark index and rely on portfolio managers to actively choose which stocks to buy and sell. As a result, investors in these ETFs are exposed to increased volatility and the risk of human decision making. Further, there is no assurance that these ETFs will achieve their investment objectives.

4 Specific Risks of investing in ETCs

Exchange Traded Commodities (ETCs) are an alternative for investors wanting exposure to commodities or single markets. Investing in ETCs will create exposure to individual commodities or a basket of goods through an index-related ETC. Examples of ETCs are the possibility to invest in commodities like gold, natural gas, oil, metals, energy, pigs and more.

Counterparty Risk

ETCs are traded on the stock exchange just like ETFs and offer the same advantages to investors. An important difference between ETCs and stocks and/or ETFs is that the capital invested in an ETC is not a fund asset that is protected in case of insolvency of the issuer. In fact an ETC is a bond loan from the ETC provider. Investing in an ETC creates an issuer risk/counterparty risk. In the case of an ETC as compared to an ETF, issuers of ETC's rely on different methods of collateralisation for the minimisation of this risk. It is important to understand the risks associated with making an investment in an ETC and have sufficient financial resources to sustain any loss that may arise.

Investments in ETCs involve numerous risks including, among others, general market risks relating to the relevant commodities, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

Commodity Volatility and Liquidity Risk

The value of an ETC may be affected by market volatility and the volatility of the underlying Index and the value of any investment may go down as well as up. Although ETCs are exchange-traded there is liquidity risk associated with an investment in ETCs during periods of increased volatility. No market may exist for ETCs and there may be delays in the execution of trades and wider than usual margins may arise during volatile time periods.

Tracking Error/Market Risk/FX Risk

As ETCs are designed to track market returns, the performance of an ETC is linked to either one of two factors: the spot commodity price or the futures price. The spot commodity price is the current price for delivery whereas the futures price is for delivery at a future date. ETCs may be priced in a foreign currency and the value of an investment in currencies other than the investor's home currency will be affected by exchange rate movements.

ETCs are exposed to market risk. This means that if the underlying commodity price that is being tracked drops in value, the ETC will equally suffer a loss, while if the underlying commodity price being tracked increases in value then the ETC will experience a gain. Commodity prices strongly react, among other things, to economic factors such as changes in supply and demand relationships, weather conditions and other natural events, the agricultural, trade, fiscal, monetary and other policies of governments and other unforeseeable events all of which may affect an investment in ETCs.

Investments in ETC securities will not accrue any interest or pay any dividend like ETFs and performance is subject to the deduction of the annual product fee. An investment in an ETC is dependent on the performance of the underlying index or underlying asset less costs but an investment is not expected to match that performance precisely. Investing in ETC securities will not make an investor the owner of the ETC relevant underlying commodity.

5 Specific Risks of investing via Investment Plan

Because you select a time in the future for when your investments will occur, there can be significant price, market and FX movement between enrollment (in the plan) and execution (of trades).

6 Specific Risks of investing in Fractions

BUX's fractional trading allows you to purchase securities in Euro amounts. Please be advised that trading in fractional shares has unique risks and limitations that you should understand before investing in fractional shares.

- Rounding. BUX rounds all fractional holdings to six decimal places. For all notional based orders, your transaction will never exceed the order amount. Rounding may also affect your ability to be credited for cash dividends, stock dividends and stock splits. For example, if you own 0.000001 shares of stock that pays a one cent dividend per-share, we will not credit your cash balance a fraction of a cent.
- No Limit Orders. BUX will only accept market orders for fractional shares. This means that orders will be executed at the market price at that moment the order reaches the market. The market can be in this case a Regulated Market, MTF and Systematic Internalizer.
- Execution. BUX will comply in all respects with "best execution" on all orders executed through BUX in line with its regulatory requirements. This means that each order that contains a whole number of shares, order will be routed via the smart order router of an executing broker. The fractional share component will be executed at the market price with ABN AMRO Clearing Bank as counterparty. The execution price of the fractional part of a share will likely be the same as the execution price of the whole number of shares.
- Transfer of Fractional Shares. Fractional shares are not transferable. If you close your account, the fractional shares held in your account will need to be liquidated.
- Voting Rights. The fractional share does not exist outside the BUX administration. This means BUX will be rounding down to the nearest whole share for the total number of eligible shares for voting purposes.

7 Specific Risks of Securities Lending

Risk of insolvency

BUX is your counterparty for every transaction, you run an insolvency risk on BUX. If BUX would become insolvent, it will be unable to return the Lended Financial Instruments to you. This risk is mitigated by the security structure under which Stichting BUX Collateral holds collateral. In the event that BUX is not able to meet its obligations in connection with respect to the Lended Financial Instruments, Stichting BUX Collateral will apply the collateral it holds to acquire equivalent Financial Instruments. Stichting BUX Collateral will subsequently deliver those Financial Instruments to you and other Clients who Lend their Financial Instruments to BUX.

If BUX would become insolvent at a moment on which (a) it has already borrowed your Financial Instruments, and (b) the Stichting BUX Collateral has not yet received the relevant collateral, you will have an unsecured claim in BUX' bankruptcy estate. It is unlikely that you will receive back all of your Financial Instruments.

Borrower default risk

As set out above, BUX will Lend your Financial Instruments to one or more third parties (borrowers). Those borrowers must provide collateral to BUX to secure their obligation to redeliver the relevant Financial Instruments to BUX. BUX will transfer this collateral to Stichting BUX Collateral.

If the borrower would – at some point – be unable to redeliver financial instruments to BUX, BUX will apply the collateral to meet its obligations in relation to your Lended Financial Instruments. In such an event, the collateral will be used to acquire equivalent Financial Instruments, which will be delivered to you. Although BUX will monitor on an ongoing basis whether the amount of collateral is sufficient to meet its obligations towards you, it is possible that the execution value of the collateral turns out to be lower than expected. In such an event, BUX will have to use its own funds to meet its obligations towards you. If these funds are insufficient for that purpose, it is likely that you will not receive back all of your Financial Instruments.

Repurchase risk

In the event that BUX cannot meet its obligations to you in relation to the Lended Financial Instruments, Stichting BUX Collateral will apply the collateral it holds to buy equivalent Financial Instruments in the market. There is a risk that the value of the collateral may be insufficient to buy back all the Financial Instruments on the market. If the market price increases during the liquidation process, it is highly likely that the collateral may prove to be insufficient and you run the risk of a loss.

Selling risk

As set out above, the lending of your Financial Instruments does not affect your ability to sell those Financial Instruments on the market. However, under exceptional market circumstances, such as an unexpected high amount of sell orders of BUX clients, it is possible that you will not be able to sell your Lent Financial Instruments within the timeframe desired by you.

Timing risk

In the event that BUX would need to use the collateral which the borrower provided, to meet its obligations towards you, there will be a period of time between (i) the moment on which BUX starts to use the collateral to acquire equivalent Financial Instruments, and (ii) the moment on which BUX meets its redelivery obligation towards you. It is likely that you will during this period be unable to sell the Lended Financial Instruments concerned.

Price risk

Aside from whether the Financial Instruments are lent or not, you are always exposed to price risk on the Financial Instruments. The price of Financial Instruments rises and falls, this risk continues to exist.

8 Extended Trading Hours

You should consider the following points before engaging in trading during the extended trading hours. “Extended trading hours” for US securities implies trading from 07:00 ET to 09:30 ET and 16:00 ET to 22:00 ET. Time is indicated in Eastern Time (ET).

Risk of Lower Liquidity

Liquidity is important because with more liquidity it is easier to buy or sell securities, and as a result, you are more likely to pay or receive a competitive price for securities bought or sold. It is very likely that during the extended trading hours, the liquidity is lower in comparison to regular trading hours (during which markets are open). As a result, your order in extended trading hours may only be partially executed, not executed at all, or may receive inferior pricing.

Risk of Higher Volatility

During extended trading hours, the volatility of securities may be greater, which may lead to greater price swings. As a result, your order may only be partially executed, not executed at all, or you may receive an inferior price when you invest during extended trading hours than you would during regular trading hours.

Risk of Changing Prices

The prices of securities traded in extended trading hours may not reflect the prices in regular trading hours. As a result, you may receive an inferior price in extended trading hours.

Risk of Unlinked Markets

Depending on the extended trading hours of a particular stock exchange or the time of day, the prices displayed on a particular extended trading hours venue may not reflect the prices in other operating extended trading hours venues dealing in the same securities. Accordingly, you may receive a price in one extended trading hours venue that is worse than the price you would receive in another extended trading hours venue.

Risk of News Announcements

Companies make news announcements that may affect the price of their securities after regular trading hours. Financial news is often announced outside of regular trading hours. In extended trading hours, these announcements may occur during trading, and combined with lower liquidity and higher volatility, these announcements may cause a sharp effect on the price of a security.

Risk of Wider Spreads

The spread refers to the difference between the price at which a security can be purchased and the price at which it can be sold. Lower liquidity and higher volatility in extended trading hours may result in wider than normal spreads for a particular security.

Market Orders

Market Orders (including all fractional orders) placed during extended trading hours will contain a collar, meaning a maximum price away from the last trade price at the time the order was entered The Market Orders will be (partially) executed or cancelled.

Fractional Orders

Certain (or all) securities are not eligible for fractional trading during extended trading hours. During extended trading hours, orders in such securities may be placed for whole shares or you may start ordering at the opening of regular trading hours.