uSMART RISK DISCLOSURE STATEMENT

SECURITIES AND FUTURES ACT 2001

SECURITIES AND FUTURES
(LICENSING AND CONDUCT OF BUSINESS) REGULATIONS

RISK DISCLOSURE STATEMENT REQUIRED TO BE FURNISHED UNDER REGULATION 47E(1) AND TO BE KEPT UNDER REGULATION 39(2)(c) BY THE HOLDER OF A CAPITAL MARKETS SERVICES LICENCE TO DEAL IN CAPITAL MARKETS PRODUCTS IN RESPECT OF FUTURES AND CERTAIN OVER-THE-COUNTER DERIVATIVES CONTRACTS

This Risk Disclosure Statement is issued by uSMART Securities Pte. Ltd. ("**uSMART**") to the Client in accordance with Regulation 47E of the Securities and Futures (Licensing and Conduct of Business) Regulations and should be read in conjunction with the Client Agreement, as well as all other Risk Disclosure Statements issued by uSMART in connection with the trading in (i) futures, (ii) options, (iii) over-the-counter derivatives contracts where the underlying is a currency or currency index ("**OTCD currency contracts**") and (iv) spot foreign exchange contracts for the purposes of leveraged foreign exchange trading ("**Spot LFX trading contracts**") (collectively, the "**Relevant Investment Products**").

The Client should note that this Risk Disclosure Statement does not disclose all the risks and other significant aspects of trading in the Relevant Investment Products. In light of the risks, the Client should undertake such transactions only if the Client understands the nature and contents (and contractual relationships) into which the Client is entering and the extent of the Client's exposure to the risks. Trading in the Relevant Investment Products may not be suitable for everyone. The Client should carefully consider whether such trading is appropriate in light of the Client's experience, objectives, financial resources and other relevant circumstances. In considering whether to trade in the Relevant Investment Products, the Client should be aware of the following:

A. FUTURES, OTCD CURRENCY CONTRACTS AND SPOT LFX TRADING CONTRACTS

1. Effect of "Leverage" or "Gearing"

Transactions in (i) futures, (ii) OTCD currency contracts and (iii) Spot LFX trading contracts carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract, OTCD currency contract or Spot LFX trading contract transaction so that the transaction is highly 'leveraged' or 'geared'. A relatively small market movement will have a proportionately larger impact on the funds the Client has deposited or will have to deposit; this may work against the Client as well as for the Client. The Client may sustain a total loss of the initial margin funds and any additional funds deposited with the firm to maintain the Client's position. If the market moves against the client's position or margin levels are increased, the Client may be called upon to pay substantial additional funds on short notice in order to maintain their position. If the Client fails to comply with a request for additional funds within the specified time, the Client's position may be liquidated at a loss and the Client will be liable for any resulting deficit in the Client's Account(s).

2. Risk-Reducing Orders or Strategies

The placing of certain orders (e.g., "stop-loss" orders, where permitted under local law, or "stop-limit" orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. At times, it is also difficult or impossible to liquidate a position without incurring substantial losses. Strategies using combinations of positions, such as “spread” and “straddle” positions may be as risky as taking simple “long” or “short” positions.

B. OPTIONS

3. Variable Degree of Risk

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarise themselves with the type of options (i.e. put or call) which they contemplate trading and the associated risks. The Client should calculate the extent to which the value of the options would have to increase for the Client’s position to become profitable, taking into account the premium paid and all transaction costs.

The purchaser of options may offset its position by trading in the market or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a futures contract, OTCD currency contract or Spot LFX trading contract, the purchaser will have to acquire a position in the futures contract, OTCD currency contract or Spot LFX trading contract, as the case may be, with associated liabilities for margin (see the section on Futures, OTCD currency contracts and Spot LFX trading contracts above). If the purchased options expire worthless, the Client will suffer a total loss of their investment which will consist of the option premium paid plus transaction costs. If the Client is contemplating purchasing deep-out-of-the-money options, the Client should be aware that, ordinarily, the chance of such options becoming profitable is remote.

Selling (“writing” or “granting”) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of the amount of premium received. The seller will be liable to deposit additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a futures contract, OTCD currency contract or spot LFX trading contract, the seller will acquire a position in the futures contract, OTCD currency contract or spot LFX trading contract, as the case may be, with associated liabilities for margin (see **Section A** above). If the option is “covered” by the seller holding a corresponding position in the underlying futures contract, OTCD currency contract, spot LFX trading contract or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, limiting the liability of the purchaser to margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

C. ADDITIONAL RISKS COMMON TO FUTURES, OPTIONS AND LEVERAGED FOREIGN EXCHANGE TRADING

4. Terms and Conditions of Contracts

The Client should ask the firm with which the Client conducts their transactions for the terms and conditions of the specific futures contract, option, OTCD currency contract or spot LFX trading contract which the Client is trading and the associated obligations (e.g. the circumstances under which the Client may become obligated to make or take delivery of the underlying interest of a futures contract, OTCD currency contract or spot LFX trading contract transaction and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances, the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

5. **Suspension or Restriction of Trading and Pricing Relationships**

Market conditions (e.g., illiquidity) or the operation of the rules of certain markets (e.g., the suspension of trading in any contract or contract month because of price limits or 'circuit breakers') may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the futures contract, and the underlying interest and the option may not exist. This can occur when, e.g., the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge 'fair' value.

6. **Deposited Cash and Property**

The Client should familiarise themselves with the protection accorded to any money or other property which you deposit for domestic and foreign transactions, particularly in a firm's insolvency or bankruptcy. The extent to which the Client may recover their money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

D. COMMISSION AND OTHER CHARGES

7. Before beginning to trade, the Client should obtain a clear explanation of all commissions, fees and other charges for which the Client will be liable. These charges will affect the Client's net profit (if any) or increase the Client's loss.

E. TRANSACTIONS IN OTHER JURISDICTIONS

8. Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose the Client to additional risk. Such markets may be subject to a rule which may offer different or diminished investor protection. Before trading, the Client should enquire about any rules relevant to your particular transactions. The Client's local regulatory authority will be unable to compel the enforcement of the rules of the regulatory authorities or markets in other jurisdictions where the Client's transactions have been effected. The Client should ask the firm with which transactions are conducted for details about the types of redress available in both the Client's home jurisdiction and other relevant jurisdictions before starting to trade.

F. CURRENCY RISKS

9. The profit or loss in transactions in foreign currency-denominated futures and options contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

G. TRADING FACILITIES

10. Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. The Client's ability to recover certain losses may be subject to limits on liability imposed by the one or more parties, namely the system provider, the market, the clearing house or member firms. Such limits may vary. The Client should ask the firm with which the Client conducts transactions for details in this respect.

H. ELECTRONIC TRADING

11. Trading on the Electronic Trading Service may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If the Client undertakes transactions on the Electronic Trading Service, the Client will be exposed to risks associated with the Electronic Trading Service including the failure of hardware and software. The result of any system failure may be that the Client's order is either not executed according to the Client's instructions or not executed at all.

I. OFF-EXCHANGE TRANSACTIONS

12. In some jurisdictions, firms are permitted to effect off-exchange transactions. The firm with which the Client's transactions are conducted may be acting as the Client's counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before undertaking such transactions, the Client should familiarise themselves with the applicable rules and attendant risks.

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