

uSMART RISK DISCLOSURE STATEMENT

SHORT SELLING

1. The Electronic Trading Service will recognise if an Order is placed as a long or short sale. The Client acknowledges that:
 - (a) short sales may only be effected in a Margin Account and are subject to the initial margin and margin maintenance required; and
 - (b) prior to effecting a short sale for the Client, uSMART Securities (Singapore) Pte. Ltd. (“uSMART”) or its Intermediary must be able to borrow such securities on the Client’s behalf to effect delivery of such securities to the purchaser.
2. When the Client has borrowed securities for short selling, the Client is required to maintain the margin required and uSMART may initiate a buy-back of the borrowed securities without prior notification to the Client if the Collateral of the Client’s Account falls lower than the margin requirement.
3. The Client is required to furnish and maintain Collateral in the Client’s Account with uSMART to meet any margin requirements for short selling. Accordingly, the Client will encounter various risks, including:
 - (a) An increase in the value of the borrowed Securities and/or decrease in the value of the Collateral may require the Client to provide additional Collateral to uSMART to avoid uSMART from realising the existing Collateral;
 - (b) uSMART can realise the Collateral to cover the deficiency in the margin required for the short sell. The Client will also be responsible for any shortfall after such realisation;
 - (c) uSMART can realise the Collateral without contacting the Client. Some investors mistakenly believe that uSMART must contact them for a call for additional Collateral to be valid, and that uSMART cannot realise Collateral to meet the call unless uSMART has contacted them first. This is not the case, uSMART may notify the Client of a call for additional Collateral but is not required to do so. However, if uSMART has contacted the Client and provided a specific date by which the Client can meet a call for additional Collateral, uSMART can still take necessary steps to protect its interests. This may include immediately realising the Collateral without notice to the Client;
 - (d) The Client is not entitled to choose which Collateral are to be realised to meet a call for additional Collateral. uSMART has the right to decide which Collateral to realise in order to protect its interests;
 - (e) uSMART can increase the margin requirements for the short sell at any time and is not required to provide the Client advance written notice. These changes in uSMART’s policy(ies) often take effect immediately and may result in the issuance of a call for additional Collateral. The Client’s failure to satisfy the call may cause uSMART to realise the Collateral; and

- (f) The Client is not entitled to an extension of time on a call for additional Collateral. While an extension of time to meet such a call may be available to the Client under certain conditions, the Client does not have a right to the extension.
- 4. The interest, dividends and any distribution whatsoever (each a “**Distribution**”) attributable to the borrowed Securities belong to uSMART and the Client has to pay and deliver to uSMART any such Distribution on its date of payment regardless of whether the Client receives the same. The Client is also to exercise any voting rights attached to such borrowed Securities and any other rights arising and attributable to the borrowed Securities in accordance with the instructions of uSMART, if the Client has agreed to the same. Failure to pay any Distribution to uSMART, or to protect and exercise any rights with respect to the borrowed Securities in accordance with the instructions of uSMART (where the Client has agreed to do so) may expose the Client to liability.
- 5. Where, in respect of any borrowed Securities, any rights relating to conversion, sub-division, consolidation, pre-emption, rights arising under a takeover offer, rights to receive securities or a certificate which may at a future date be exchanged for securities or other rights, including those requiring election by the holder for the time being of such borrowed Securities, become exercisable prior to the delivery of equivalent Securities, then uSMART may, within a reasonable time before the latest time for the exercise of the right or option give written notice to the Client that on delivery of equivalent Securities it wishes to receive equivalent Securities in such form as will arise if the right is exercised or, in the case of a right which may be exercised in more than one manner, is exercised as is specified in such written notice.