

# Information

## about SEB and its securities services

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Information about Skandinaviska Enskilda Banken AB (publ), company registration number 502032-9081, 106 40 Stockholm, hereinafter referred to as SEB.

Telephone: +46 (0)771 365 365 (Customer Centre),  
+46 771 621 000 (switchboard)

Website: [www.SEB.se](http://www.SEB.se)

SEB is under the supervision of the Swedish Financial Supervisory Authority, Box 7821, SE-103 97 Stockholm, Sweden, [www.fi.se](http://www.fi.se).

SEB is licensed to carry out banking operations and financial activity under the Swedish Banking and Finance Business Act (2004:297) and is also licensed to carry out pension savings activity (IPS). In addition, SEB is licensed to carry out securities business, i.e.:

- Receiving and forwarding orders on matters of one or more financial instruments,
- Executing orders on behalf of customers,
- Trading on own account,
- Portfolio management,
- Investment advice,
- Giving guarantees regarding financial instruments and investing financial instruments with a fixed undertaking, and
- Investment of financial instruments without a fixed undertaking. The bank is part of the SEB Group.

### Language

The language that is used in documentation and in communication between SEB and the customer is Swedish.

### Digital communication

SEB works continuously with digitization of various mailings and communicates with customers via our online banking service, e-mail or other electronic communication when such communication is appropriate and/or possible. Retail customers can request to also receive the information on paper.

### Customer classification, etc.

Under the Swedish Securities Market Act, all customers trading in securities are to be divided into three categories. The purpose of this is to adapt customer protection depending on the individual customer's situation.

Private individuals and most companies are regarded as "retail" customers. In addition to "retail" customers there are also "professional" customers, which are large companies, credit institutions and other financial institutions, government bodies and similar organisations with less need for protection. The third category is what are known as "eligible counterparties", which have the least protection under the law. These include other banks, central banks and authorities.

Unless you have been told otherwise by SEB, SEB has classified you as a "retail" customer, which gives you the highest level of protection. This means that SEB will provide information about financial instruments and the risks associated with these, as well as costs and other fees payable for trade involving them. When SEB offers portfolio management or investment advice, SEB will judge whether a service or instrument is suitable for the individual customer before offering the service or recommending the instrument. This judgement is made based on the customer's experience and knowledge of the service and the product, investment target and financial situation, risk tolerance and capacity to withstand losses. For types of services other than portfolio management and investment advice, SEB will judge whether the service is appropriate for the customer based on the customer's knowledge and experience.

Should the customer initiate contact with SEB solely to place an order in a so-called non-complex financial instrument (e.g. listed shares and fund units in securities), SEB will provide the service without assess whether the service is appropriate for the customer.

Customers are entitled to apply to be classified in a different customer category. Retail customers may request in writing that they be treated as professional customers.

Among other things, SEB must then assess the individual customer's experience and knowledge in regard to a particular transaction or service and ascertain that the customer can make his own investment decisions and understands the risks that may be associated with the investment. The customer then loses the higher level of customer protection. Any customer placed in a category in which a lower level of customer protection is offered may request reclassification into a category in which a higher level of customer protection applies.

### Advice provided by SEB

SEB provides advice via advisors, brokers and managers. SEB primarily provides advice about its own products, such as funds, insurance and share index bonds offered by companies within the SEB Group, and about the financial instruments that are traded on the securities market, such as shares, bonds and derivatives. To some extent the SEB Group also provides advice on other products, such as funds from other fund management companies. Since SEB provides advice on its own products, SEB operates as a "non-independent financial advisor". When SEB provides advice on products from other fund management companies, SEB has usually entered into a distribution agreement with the fund management company in question.

Via branch and telephone banking, SEB offers investment advice through private advisors and business advisors who provide advice within a limited selection of SEB's own funds; see [www.SEB.se](http://www.SEB.se).

SEB also offers an automated advice service with a selection of funds, which is found at [www.SEB.se](http://www.SEB.se).

In order to offer investment advice that is in the best interests of the customer, SEB reviews the customer's knowledge and experience of investing in financial instruments, financial situation and investment goals, within the framework of which SEB, together with the customer, also goes through the customer's investment aims, risk tolerance and capacity to withstand losses, in order for SEB to recommend the investments that are most suited to the customer in each individual situation (this is known as a suitability assessment). Investment advice is thus provided on the basis of the information that the customer provides about him or herself. It is therefore important that the customer contacts SEB if his or her circumstances change in such a way that any previous advice should be reviewed, since SEB only undertakes to ensure that the advice is suitable for the customer in the light of the information SEB has at that time. As a rule, SEB will not follow up to ensure that the advice provided is still suitable unless the customer and the SEB Group agree otherwise.

Documentation of the advice provided and the suitability assessment will be supplied to the customer via one or more documents: the so-called written suitability explanation, which the customer can see after the advice session but before the transaction is executed. When advice is provided with the help of remote communication technology, e.g. via telephone, SEB may supply the written suitability explanation immediately after the customer has been bound by an agreement to buy or sell securities. However, this is contingent upon the customer consenting to receive the suitability explanation after the transaction has been executed, and having been given an opportunity to defer the transaction in order to first receive the suitability explanation.

SEB integrates sustainability risks when giving advice on financial products by ensuring that each product in the advisory offering meets specific sustainability criteria. The own funds that SEB advises on integrate sustainability risks through a combination of the methods of inclusion, exclusion, and active ownership. When SEB provides advice on other fund companies' funds, it is ensured that each fund company has committed itself to comply with the UN guidelines for responsible investments, which means that the fund company must follow six principles for responsible investments. The fact that the fund companies follow the UN guidelines means that SEB considers the sustainability risks for these funds to be low. By using these, own and external, funds in the advice, and advocating good risk diversification, SEB assesses that sustainability risks are low and that a sustainability risk, should it occur, should therefore have a marginal effect on the returns.

### Information about SEB's "self-service trading"

SEB offers various trading and tracking services to support customers who manage their own savings. Customers can trade via SEB's digital solutions, branches or telephone banking 24 hours a day, 365 days a year. Within the framework of "self-service trading", customers can view their own holdings, trade in funds and securities and check the current prices and detailed information about the funds and securities that are part of SEB's portfolio. Through SEB you can trade in exchange traded products, Swedish and Nordic shares, a selection of ETFs and exchange traded certificates, and structured investments where these are suitable for the individual customer. You also have access to share recommendations for a number of Nordic, primarily Swedish companies via our online banking service. Services such as the equity trading service are available for customers who are looking for a wider selection of shares and investment products.

You can also receive SEB's recommendations and market analyses and subscribe to various types of information.

**Information** about SEB and its securities services, cont.

### **Restrictions to SEB's ability to perform certain services**

SEB's portfolio of services and products may be restricted in certain cases as a result of overseas rules and regulations, depending, for instance on where the customer resides and/or what permits SEB holds. For example, in certain circumstances, SEB is not permitted to offer advice or management services to customers residing in the USA. Restrictions of this nature may also cover fund management companies: both those within the SEB Group and external funds management companies whose funds are distributed by SEB. This means that, as a customer and unitholder, your opportunities to continue investing in these funds may be restricted if you live overseas.

More information about how SEB's ability to continue offering you its services and products may be restricted following a move overseas is available from your advisor or nearest SEB branch. In particular, we emphasise the importance of contacting SEB well before an impending move overseas in order to go through the potential consequences of this in regard to those of SEB's services and products that you use.

### **Information regarding conflicts of interest**

SEB provides a comprehensive portfolio of financial services covering many different activities. On the one hand, this means that SEB can offer full financial services in all areas; on the other hand, it means there is the potential for conflicts of interest to arise. Conflicts of interest may arise between SEB, including its management, board of directors, staff, etc. and customers, or between different customers. They may also arise between different activities within SEB, and between SEB and other areas of activity within the Group. SEB has identified areas in which potential conflicts of interest may arise; examples of these include SEB's analytical, advice and corporate finance activities.

SEB's Guidelines for handling conflicts of interest outline the potential conflicts of interest that have been identified and how to handle and avoid them in order to prevent the interests of customers being negatively affected. SEB has taken steps to prevent conflicts of interest from arising; for example, the various activities within the group between which conflicts of interest may arise are kept separate from each other so that improper use cannot be made of information in any other part of SEB. SEB has also adopted guidelines to ensure that the reporting process and compensation arrangements protect the independence of employees, as well as rules to prevent employees from handling matters in which the employee or a close associate has interests that could lead to a conflict of interest. Employees must always look after the interests of the customer first and foremost, as described in SEB's Guidelines for handling conflicts of interest. SEB will provide further details of these guidelines upon the request of the customer.

### **Information about compensation and benefits**

SEB has guidelines for compensation and benefits, i.e. how payment or receipt of fees, commission and considerations in kind (incentives) are to be dealt with in connection with the provision of securities services. Incentives paid to or received by a third party must be designed to improve the quality of the securities service that is relevant to the customer. The arrangement must also be in line with the customer's best interests. Furthermore, incentives must not be paid or received in contravention of SEB's obligation to act honestly, fairly and professionally in its activities.

Where SEB receives any regular form of compensation from a third party, SEB must be able to show that the customer is also benefited over time.

When SEB provides discretionary portfolio management to a customer, SEB must transfer the compensation or benefit received from a third party to the customer.

For information about how SEB handles compensation from third parties, see the price list for the relevant service.

As an SEB customer, you are entitled to information about the compensation and benefits that SEB receives from or pays to third parties before the securities service is executed. The most common forms of compensation and benefits that SEB receives from or pays to third parties are described briefly below.

### **Fund units**

Funds that are brokered via SEB are managed by various fund management companies. SEB receives compensation for the sale of fund units from the relevant fund management company. Such compensation is usually calculated as:

- a one-off payment at the time of sale in the form of a percentage of the invested amount,
- an annual payment in the form of a percentage of the managed capital, or
- a combination of these options.

Compensation may vary between different fund management companies and between different funds managed by the same company. SEB may also receive free training or other support from fund management companies. Funds that are managed by fund companies within the SEB Group are in some cases brokered by securities institutions other than SEB. In this situation, the institution receives distribution compensation from SEB which is calculated as above. Read more about fund distribution incentives at <http://SEB.se/privat/spara-och-placera/fonder/om-distributionsersattningar>.

### **Structured products**

The structured products provided by SEB may be issued by issuers other than SEB. SEB then receives compensation for the brokerage of the structured products from the relevant issuer. Compensation can be calculated as a percentage of the invested amount, and it may vary between different issuers and between different structured products provided by the same issuer. The structured products that SEB offers are in some cases brokered by securities institutions other than SEB. SEB pays the institution commission for this. The commission is calculated as a one-off payment based on the invested amount.

### **Premium bonds**

SEB is compensated by the Swedish National Debt Office for brokerage in connection with the issue of premium bonds. Compensation is calculated as a percentage of the brokered volume.

### **The interest rate market**

SEB may be compensated by issuers of bonds or money market instruments when we participate in transactions on the primary or second hand markets. Such compensation is usually calculated as:

- fixed compensation,
- a variable part based on turnover, or
- a combination of these calculation methods.

### **Issues**

SEB sometimes participates in issues, listings and other corporate events. SEB receives commission for this. Such compensation is usually calculated as:

- fixed compensation,
- a one-off payment consisting of a percentage of the amount for which SEB's customers have subscribed for shares, or
- a combination of these options.

### **Asset management**

If you are a customer of an asset manager working with SEB, your account may be held with SEB. SEB and the asset manager may then have an agreement to share the brokerage fee that you pay SEB.

### **Customer instructions**

SEB may also receive or provide compensation in connection with customer instructions to or from third parties. Such compensation is calculated as:

- a one-off payment,
- an annual payment in the form of a percentage of the managed capital,
- an annual payment calculated as part of the brokerage fee, or
- a combination of these options.

### **More information**

If you require detailed information about the incentives that have accrued on your financial instruments, please contact your advisor or nearest SEB branch. Information about any third-party compensation received by SEB in connection with the securities services that have been provided is also included on your annual statement. You can also call us on +46 (0)771 365 365.

### **Information about costs and fees**

This section contains information about costs and fees as well as how the customer pays for these.

Listed shares, issue rights, rights to issues, convertibles, subscription options, options and forwards incur a transaction fee consisting of a brokerage fee. A currency exchange fee is also payable for trading in a currency other than SEK.

Exchange traded certificates, warrants, mini futures and certificates incur transaction fees consisting of a brokerage fee and, where applicable, a currency exchange fee. There are also regular fees for management and/or transactions within the financial instrument, known as instrument costs.

Capital-protected investments such as share index bonds, commodity bonds and foreign exchange bonds incur instrument costs included in regular fees for management and/or transactions within the financial instrument, as well as one-off fees such as an arrangement fee. A currency exchange fee is also payable where applicable.

**Information** about SEB and its securities services, cont.

OTC-traded certificates, warrants and certificates incur transaction fees consisting of a brokerage fee and implicit transaction costs (charges/deductions), which are included in the buy and sell price (as charges/deductions), and, where applicable, a currency exchange fee. There are also instrument costs included in regular fees for management and/or transactions within the financial instrument.

OTC-traded convertibles, options, forwards, bonds and debentures incur transaction fees consisting of a brokerage fee and implicit transaction costs (charges/deductions), which are included in the buy and sell price (as charges/deductions), and, where applicable, a currency exchange fee.

Exchange traded funds (ETFs) incur transaction fees consisting of a brokerage fee in regard to fund units and, where applicable, a currency exchange fee if trading is in a currency other than SEK. Instrument costs are also payable, as part of an annual fee which primarily consists of regular management fees for matters such as management, and which is charged by the fund manager, subsidiary transaction costs (included as implicit) within the fund and, where applicable, results-based fees charged for certain funds if predefined targets are achieved.

Funds are also subject to regular fees charged by the fund manager and costs associated with transactions within the fund. A currency exchange fee is payable where applicable if fund units are traded in a currency other than SEK. Results-based fees may also be charged for certain funds if predefined targets are achieved.

An estimate of the total cost will be provided before the investment service is executed, e.g. when placing an order, and will be expressed both as a percentage of the invested amount and as an absolute amount. A currency exchange fee may also be payable for financial instruments that are traded in a foreign currency. Costs relating to currency exchange will be estimated based on reasonable assumptions. Where appropriate, SEB has received compensation from third parties for distribution of financial instruments.

Such third-party compensation will be reported within the framework of instrument costs, and is shown as "of which to distributor"/"varav till distributören". In addition to the advance information provided about costs and fees, an annual cost summary will be provided. Please note that, in this context, a change in the price of a financial instrument caused by underlying market risk is not a cost.

Transaction costs relating to brokerage fees for acquiring financial instruments are charged to the customer's account, while other transaction fees are charged to the amount invested by the customer. Instrument costs relating to financial instruments are either included in the price or deducted from the reported value of the instrument, and are charged to the amount invested by the customer. In addition to the costs mentioned above, costs and fees relating to clearing and/or redemption may be incurred.

Other costs such as delivery cost, stamp duty, restitution, conversion fees, costs relating to implementation of payments and transfer costs may be incurred.

#### **Information about investor compensation**

SEB keeps customers' financial instruments separate from SEB's assets.

Pursuant to the Investor Compensation Act (1999:158), if, in the event of SEB going bankrupt, the customer does not get back his or her financial instruments from SEB, the customer is entitled to special compensation up to a maximum of SEK 250,000. The aforesaid compensation may also include funds received by SEB for which it is accountable.

Customers claiming compensation must file a claim with the Swedish National Debt Office within one year of the day of the bankruptcy decision. The Swedish National Debt Office is responsible for investigating the claim as well as for paying compensation.

Individual pension savings (IPS) are not covered by investor compensation. For more information, see [www.riksdagen.se](http://www.riksdagen.se).

#### **Information about the state deposit guarantee**

##### **Fund account**

Fund unit holdings are not covered by the Swedish government's deposit guarantee.

The investor compensation applies if the fund units are manager-registered; see also above for information on investor compensation.

##### **IPS**

The balance on the account is not covered by the Swedish government's deposit guarantee.

##### **Custody and securities (VP)/service accounts**

The securities holdings are not covered by the Swedish government's deposit guarantee. See the above information about investor compensation instead.

#### **Investment savings account**

The liquid funds on the account are covered by the Swedish government's deposit guarantee pursuant to a decision by the Swedish National Debt Office.

All customers entitled to compensation under the Swedish Investor Protection Act (1995:1571) are guaranteed compensation for all funds in their SEB account, up to a maximum of SEK 1,050,000. The Swedish National Debt Office pays the compensation within 7 working days after the date on which SEB goes bankrupt or on which the Swedish Financial Supervisory Authority decides that the guarantee should be invoked.

The securities holdings are not covered by the Swedish government's deposit guarantee; see the above information on investor compensation instead.

For further information, see [www.riksdagen.se](http://www.riksdagen.se).

#### **Information according to the Swedish Consumer Protection (distance contracts and home sales) Act (2005:59)**

The Swedish Consumer Protection (distance contracts and home sales) Act contains rules on agreements concerning financial services and financial instruments which are concluded between the consumer and trader remotely. A distance contract is a contract entered into without the bank and customer physically meeting, such as via the Internet or over the telephone or by replying to an advertisement/mailling. With a distance contract, the consumer is entitled to receive certain information, beyond that stated in the general conditions above, regarding conditions for the contract before it is entered into.

Information about Skandinaviska Enskilda Banken: see above.

Recording of calls, etc.

The customer is aware that SEB may record and keep telephone calls and other electronic communication in connection with the customer instructing SEB on trading in financial instruments. Calls may also be recorded and kept in case of other communications with the customer. Copies of recorded calls and stored electronic communication with the customer are available on request for a period of five years. The customer is entitled to receive the recorded calls and stored electronic communication upon request, and the bank is entitled to charge a reasonable fee for this.

#### **Information about the bank's services and products**

Information about the bank's services and products is available at [www.seb.se](http://www.seb.se). Trading in securities is carried out at a branch or via telephone. Via online banking, customers can trade in Nordic shares, warrants, bonds, convertibles and share index bonds. Customers can also subscribe for new share index bonds, shares and premium bonds.

#### **Information about prices, taxes and fees**

Prices for SEB's services are in accordance with SEB's currently applicable price list. The current price list is available at [www.seb.se](http://www.seb.se) or from our branches.

In addition, further taxes, fees and costs may be added that are either imposed on or paid by SEB.

#### **Risk**

Trading in financial instruments always involves exposure to risk. Money invested by the customer may rise or fall in value, and there is no guarantee that the customer will get back the invested capital. For more detailed information about these particular risks, please see the section below named "Information about the nature and risks of financial instruments".

#### **Right of reversal and termination of the agreement**

If a distance contract has been entered into, the consumer has a right of reversal and can withdraw from the contract within 14 days starting from the day the contract was entered into. However, the reversal deadline for distance contracts entered into for individual pension saving (IPS) is 30 days.

This right of reversal only applies to the initial contract and not to individual contracts entered into or services provided within the framework of this contract. Moreover, the right of reversal does not apply to individual contracts, services, withdrawals, purchases, payments, transactions, transfers, etc. carried out by SEB at the consumer's request before the right of reversal was exercised.

If the consumer exercises the right of reversal, the bank is entitled to receive payment for the agreed service for the period of time when the consumer used the service.

If a consumer wishes to exercise the right of reversal, the consumer must inform SEB's Customer Centre, either by phone on +46 771 365 365 or by post to the address SE-106 40, Stockholm, Sweden.

**Information** about SEB and its securities services, cont.

For other terms and conditions regarding early or unilateral termination of the agreement, refer to the general terms and conditions of the agreement.

### Disputes and complaints

If a customer is dissatisfied with any of SEB's services, it is important that the customer communicates this to SEB. In the first instance, contact the person or department at SEB that provided the service or carried out the work, either by phone on +46 771 365 365, via the online banking notification service for private individuals or at the address given above. If the customer is not satisfied with the reply, he or she may contact SEB Customer Relations, 106 40 Stockholm, Sweden, tel. +46 (0)771 62 10 00.

If the customer wishes to discuss the case with an independent party, the Swedish Consumers' Banking and Finance Bureau may be contacted, see [www.konsumentbankbyran.se](http://www.konsumentbankbyran.se).

If the customer believes that submitting a complaint will not result in satisfactory rectification on the part of SEB, the customer can notify the Swedish National Board for Consumer Complaints (ARN) for alternative dispute resolution. Address: Box 174, 10123 Stockholm, Sweden. Notification must be made in writing. Certain value and time limits apply in order for the ARN to review the case. The Board will submit recommendations on how the dispute between the customer and SEB should be resolved. SEB will assist in the ARN's processing of the dispute. For more information, application forms, etc., see [www.arn.se](http://www.arn.se).

Deposit guarantee and investor compensation: see above.

## Information about the nature and risks of financial instruments

### 1. Trading in financial instruments

Financial instruments, i.e. items such as shares in limited companies and equivalent participation rights in other types of companies, bonds, deposit certificates, fund units, money market instruments, financial derivative instruments or other such securities that may be subject to trading on the capital market, are primarily traded in organised format via a trading venue. Trading takes place through the securities companies that participate in trading at the trading venue. As a customer, you must usually contact a securities company of this type in order to buy or sell financial instruments.

#### 1.1 Trading venues and systematic internalisers

"Trading venues" refers to regulated markets and the two types of trading facilities: multilateral trading facility (MTF) and organised trading facility (OTF). Customer trading can also be performed via a securities company acting as a systemic internaliser (SI), or otherwise by trading against the securities company's own stock or another customer.

Various types of financial instruments are traded on a regulated market. In terms of shares, only shares in public companies can be listed and traded on a regulated market, and there are stringent requirements for such companies, including in regard to the company's size, activity history, spread of ownership and public accounting for the company's finances and activities.

An MTF can be described as a trading system which is organised and provided by a stock exchange or a securities company. Lower requirements in terms of, say, provision of information and activity history are typically set for financial instruments traded on a trading platform compared with financial instruments traded in a regulated market.

An OTF is similar to an MTF in many ways. But only financial instruments that are not shares or share-related securities, such as bonds and derivatives, may be traded on an OTF. The OTF may also have more relaxed rules for trading including matching orders than those for regulated markets and MTFs.

A systematic internaliser (SI) is a securities company which, on an organised, frequent and systematic basis, deals on own account by executing customer orders outside a regulated market or a trading platform. A systemic internaliser is obliged to publish market-related offers, i.e. for buy and sell prices, for liquid financial instruments traded on a trading platform and for which the systemic internaliser carries out systemic internal trading.

Trading can also take place through a securities company without it being a systemic internaliser, by executing a customer's order against the institution's own account or against orders from other customers of the institution.

There are currently two regulated markets in Sweden: NASDAQ Stockholm AB (hereinafter referred to as the Stockholm Stock Exchange) and Nordic Growth Market NGM AB (hereinafter referred to as NGM).

Organised trading also takes place in other trading venues, such as First North and Nordic MTF (both MTFs). For more information about where your particular securities company executes your orders, see the relevant policy for best execution.

Trading on regulated markets, trading venues and other venues creates a second-hand market for financial instruments that a company has already issued. If the second-hand market works well, i.e. it is easy to find buyers and sellers, and offer prices from buyers and sellers are continuously listed, as well as closing prices (settled prices) from completed transactions, companies also have the advantage that it is easier to issue new instruments as necessary, thereby injecting more capital into the company's activities. The first-hand, or primary market, is the market in which newly issued instruments are bought or subscribed for.

#### 1.2 Trading/quotation lists

Trading venues usually divide shares into different lists, which are published in various places such as on the trading venue website, in daily papers and in other media. Factors that determine the list on which a company's shares are traded may be the company's stock exchange value (e.g. the Stockholm Stock Exchange's Large, Mid and Small caps). The most frequently traded shares may also appear on a separate list. Certain securities companies also publish their own lists of financial instruments that are traded via the institution, rates at which instruments are traded, etc., via their website. Shares on lists with stringent requirements and high turnover are generally regarded as lower risk than shares on other lists.

Information about rates, etc. regarding shares and other types of financial instruments such as fund units, options and bonds, are also regularly published in venues such as trading venue websites, daily papers and other media.

### 2. Risks associated with financial instruments and trading in financial instruments

#### 2.1 General information about risks

Financial instruments can produce a return in the form of a dividend (shares and funds) or interest (interest-bearing instruments). The price (the rate) of the instruments may also rise or fall relative to the price at the time of investment. In the following description, the word "investment" includes negative positions (negative holdings) which are assumed for the instrument; cf. for example the information about short selling in section 8, below. The overall return is the total of the dividend/interest and change in price for the instrument.

Obviously, investors are looking for a positive overall return, i.e. one which produces a profit – ideally as high a profit as possible. But there is also a risk that the overall return will be negative: in other words, the investment makes a loss. The risk of losses varies depending on the instrument. The potential for profit on an investment in a financial instrument is generally linked to the risk of making a loss. The longer the investment is held, the greater the potential for profit or risk of loss. In the context of investment, the word "risk" is sometimes used to express both risk of loss and potential for profit. In the following description, however, the word "risk" is used solely to denote risk of loss. There are various ways of investing that reduce risk. In general, it is better not to invest in one financial instrument or just a few instruments, but instead to invest in several different financial instruments. These instruments should then help to spread the risks, rather than concentrating them so that they can all be triggered simultaneously. Spreading investments in foreign markets also generally reduces the overall portfolio risk, although trading in foreign financial instruments does incur currency risk.

Investments in financial instruments are associated with financial risk, which will be described in more detail in this information. The customer is responsible for risk, and so must personally read and learn about the conditions that apply to trading in such instruments in the form of general terms and conditions, fact sheets, prospectuses and so on, and about the nature of and risks associated with the instruments, via their appointed securities company or through their representative asset manager. The customer must also regularly monitor his or her investments in such instruments. This applies even if the customer received investment advice at the time of investment. The customer should be prepared to take action quickly if this turns out to be necessary to protect his or her interests, for example, by liquidating investments that are moving in a negative direction, or by pledging additional security for investments financed by loans for which the security value has fallen.

It is also important to bear in mind the risk that trading in financial instruments via a trading venue other than a regulated market may involve, since requirements for these are generally less strict.

#### 2.2 Types of risk, etc.

A range of risk types and other factors should be taken into account and weighed up in connection with the risk assessment that should be performed both when you make an investment in financial instruments and continuously during the investment period. Some of the most common types of risk are described in brief below.

Information about SEB and its securities services, cont.

**Market risk** – the risk that the entire market or parts thereof in which your investment is invested, such as the Swedish share market, will go down.

**Credit risk** – the risk that a party such as an issuer or counterparty will be unable to pay.

**Price volatility risk** – the risk that major fluctuations in the price of a financial instrument will negatively affect the investment.

**Price risk** – the risk that the price of a financial instrument will go down.

**Tax risk** – the risk that taxation rules and/or tax rates are unclear or will change.

**Currency/exchange rate risk** – the risk that a foreign currency to which a holding relates (e.g. fund units in a fund invested in American securities listed in USD) will be weakened.

**Leverage risk** – the structure of a derivative instrument that means there is a risk that the price of the underlying asset will have a substantial negative impact on the price of the derivative instrument.

**Legal risk** – the risk that relevant laws and regulations are unclear or will change.

**Company-specific risk** – the risk that a particular company does less well than expected or is affected by a negative event, and the financial instruments linked to the company will thus fall in value.

**Industry-specific risk** – the risk that a particular industry does less well than expected or is affected by a negative event, and the financial instruments linked to companies in the industry will thus fall in value.

**Liquidity risk** – the risk that you will be unable to sell or buy a financial instrument at a time when you wish to.

**Interest rate risk** – the risk that the financial instrument you have invested in goes down in value due to changes in the market interest rate.

**Sustainability risk** – an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

### 3. Shares and share-related instruments

#### 3.1 General information about shares

##### 3.1.1 Shares and limited companies

Shares in a limited company entitle the owner to a share in the company's equity.

If the company makes a profit, it generally issues a dividend on the shares. Shares also entitle holders to voting rights at the general meeting of shareholders, the highest decision-making body in the company. The more shares the investor owns, the greater his or her share in the capital, dividend and votes. Voting rights may vary depending on the class to which the shares belong. Companies may be either public or private.

Only the shares of public companies may be traded via a trading venue.

##### 3.1.2 Share price

The price of a share is directly affected by offers or demand for the relevant share, which, at least in the long term, is in turn guided by the company's future outlook. The value of a share goes up and down primarily due to the investors' analyses and judgement of the company's potential for future profit. Future developments in the world at large in regard to economic trends, technology, legislation, competition, etc. determine demand for the company's products or services, and are therefore crucial to the change in the company's share price.

The current interest situation also plays a substantial role in pricing. If market interest rates go up, interest-bearing financial instruments that are issued at the same time (new issues) produce a better return. The price of shares that are regularly traded then normally goes down, as does that of interest-bearing instruments of already in circulation. This is because the increased return on the newly issued interest-bearing instruments will be better in relative terms than the return on shares or interest-bearing instruments already in circulation. Share prices are also negatively affected if the interest on the company's debts increases as market interest rates go up, thus reducing the company's potential for profit.

Other conditions directly associated with the company, such as changes to the company's management and organisation, production problems, etc. can also negatively affect the company. In the worst case scenario, limited companies may do so poorly that they go bankrupt. The share capital, i.e. the capital paid in by shareholders, is the capital that is used first to pay the company's debts. This generally results in the company's shares becoming worthless.

The prices on certain major foreign regulated markets or trading venues also affect prices in Sweden, partly because many Swedish limited companies are also listed with foreign trading venues and prices are aligned between the trading venues. The share prices of companies in the same industrial sector are often affected by changes in the share price of other companies within the same sector. This can also apply to companies in other countries.

Market players have different needs when it comes to investing cash (liquid assets) or obtaining liquid assets. They also frequently have differing opinions on how prices should perform. These conditions, which also include how the company is valued, contribute to the fact that there are both buyers and sellers. If, on the other hand, investors are in accord in their perceptions of price developments, they will either buy, triggering buying pressure from lots of buyers, or sell, thus triggering selling pressure from lots of sellers. The price goes up when there is buying pressure, and down with selling pressure.

The turnover, i.e. the number of a particular share that are bought and sold, also affect the share price. A high turnover reduces the difference (also known as the spread) between the price buyers are prepared to pay (the buy rate) and the price sellers demand (the sell rate). A share with a high turnover, in which large amounts can be turned over without having a significant impact on the price, has good liquidity and is therefore easy to buy and sell. Companies listed on regulated markets often have higher liquidity. Different shares may demonstrate different volatility in prices during the course of a day or a longer period, i.e. increases and decreases as well as the proportionate price changes.

The prices at which shares have been traded (settled rates), e.g. the highest/lowest/most recently paid that day, last listed buy and sell rates, and further information on traded volume in SEK are published in most major daily newspapers and on various websites maintained by trading venues, securities companies and media companies such as Text-TV. These price details may vary in terms of how up-to-date they are depending on the publishing medium.

##### 3.1.3 Share classes

Shares come in different classes, primarily A and B shares, generally having to do with voting rights. A shares generally entitle the holder to one vote, while B shares entitle the holder a restricted voting right, generally a tenth of a vote. Voting rights differ partly because, in the spread of ownership, there is a need to protect the influence of the original founders or owners of the company by giving them stronger voting rights. When new shares are issued, these have a lower voting value than the original A class, and are designated as B, C or D shares.

##### 3.1.4 Quota value, split and consolidation of shares

A share's quota value is the proportion of the company's share capital that each share represents. It is obtained by dividing the share capital by the total number of shares. Companies sometimes change the quota value because the price (the market rate of the share) has risen sharply, for example. Dividing each share into two or more shares via what is known as a split reduces the quota value and lowers the price of the shares. However, the shareholder's capital is unchanged after a split, but it is divided into more shares which have a lower quota value and a lower price per share.

On the other hand, a share consolidation (reverse split) can be performed if the price has fallen substantially. This merges two or more shares into one share. The shareholder has the same capital after consolidation, but it is divided into fewer shares which have a higher quota value and a higher price per share.

##### 3.1.5 Market introduction, privatisation and buyouts

Market introduction means that shares in a company are introduced to the share market, i.e. listed for trading on a regulated market or MTF. The public is then invited to subscribe for (buy) shares in the company. In general this is an existing company that has not previously been traded on a regulated market or other trading venue, whose owners have decided to expand the circle of owners and facilitate trading in the company's shares. If a government-owned company is introduced to the market, this is known as privatisation.

As a rule, buyouts take place when one or more investors invite the shareholders of a company to sell their shares on certain terms. If the buyer obtains 90% or more of the shares in the relevant company, the buyer may impose compulsory redemption of the remaining shares on the shareholders who did not accept the buyout offer. These shareholders are then forced to sell their shares to the buyer against compensation that is set via arbitration.

##### 3.1.6 Issues

If a limited company wishes to expand its activities, additional share capital is often required. The company obtains this by issuing new shares. Existing shareholders generally get subscription rights giving them priority to shares in a new issue. The number of shares that may be bought is generally proportionate to the shareholder's existing number of shares. The subscriber must pay a certain price (issue rate), generally lower than the market rate, for the newly issued shares. Immediately after the subscription rights – which generally have a specific market value – have been separated from the shares, the price of the shares generally drops, while the number of shares rises for those shareholders who subscribed. Shareholders who do not subscribe may sell their subscription rights during the subscription period, which usually lasts for several weeks, on the trading venue where the shares are traded. After the subscription period, the subscription rights lapse, thus becoming unusable and worthless.

Limited companies can also carry out what are known as a directed share issue, in which shares are issued and directed only at a particular set of investors. Via what is known as a non-cash consideration, limited companies can also issue new shares in order to acquire other companies, businesses or assets in a form other than cash. With both directed share issues and non-cash considerations, the existing shareholders' proportion of the number of votes and share capital in the company is diluted, but the number of shares owned and the market value of the invested capital are not normally affected.

If the assets or reserved funds in a limited company have substantially increased in value, the company may transfer part of this value to its share capital via what is known as a bonus issue. In bonus issues, the number of shares which each shareholder already has is taken into account. The number of new shares that accrue via the bonus issue are proportionate to the shareholder's existing number of shares. Through the bonus issue, the shareholder receives additional shares, but the shareholder's proportion of the company's increased share capital is unchanged. The price of the shares goes down with a bonus issue, but thanks to the increase in the number of shares, the market value of the shareholder's invested capital remains unchanged. Another way of executing a bonus issue is for the company to write up the quota value of the shares. After revaluation, the shareholder's number of shares is unchanged and the market value of the shareholder's invested capital remains unchanged.

### 3.2 General information about share-related instruments

Instruments that are closely linked to shares are share index bonds, deposit certificates, convertibles, share options and equity index options, share and equity index forwards, warrants and leverage certificates.

#### 3.2.1 Index bonds/share index bonds

Index bonds/share index bonds are bonds for which the return is dependent, not on interest, but on a share index. If the index performs positively, the return follows suit. If the index performs negatively, the return may not materialise. However, the bond's nominal amount, which may be lower than the invested amount, is always repaid on the maturity date, meaning there is less risk of loss than there is for shares and fund units. The risk associated with an investment in a share index bond, in addition to any premium and costs paid, can be defined as the alternative return, i.e. the return that the investor would have obtained on the invested amount if invested elsewhere. Index bonds may have various names, such as share index bonds, SPAX, share bonds, credit basket bonds, interest rate basket bonds, currency bonds, etc., depending on the underlying asset that determines the return on the bond. Index bonds are often designated as capital-protected products. As outlined above, this term indicates that, regardless of whether or not the product produces a return, the nominal amount is repaid. This is usually the invested amount minus any premium paid. NB: Capital protection does not apply if the issuer goes bankrupt or becomes the subject of corporate restructuring with public settlement (reduction of receivables).

#### 3.2.2 Deposit certificate

A Swedish deposit certificate is a certificate demonstrating the right to foreign shares, which the certificate issuer is keeping/holding on behalf of the holder. Deposit certificates are traded exactly like shares on a regulated market or trading venue, and the price performance generally tracks the price performance on the foreign trading venue where the share is traded. As well as the general risks associated with trading shares or other types of participation rights, currency risk should be taken into account.

#### 3.2.3 Convertibles

Convertibles (conversion loans or convertibles) are interest-bearing securities (loans to the issuer of the convertible) which may be exchanged for shares during a specific time frame. The return on the convertibles, known as the coupon rate is usually higher than the dividend on dividend shares. The convertible rate is expressed as a percentage of the nominal value of the convertible.

#### 3.2.4 Reverse convertibles

Reverse convertibles are hybrid products that are somewhere between an interest rate investment and a share investment. The reverse convertible is linked to one or more underlying shares or an index. This investment produces interest, i.e. a fixed, guaranteed return. If the underlying shares or index perform positively, the invested amount plus the fixed return is repaid. If the underlying shares or index fall, on the other hand, there is a risk that, instead of the invested amount, the investor will receive one or more shares that are included in the reverse convertible or equivalent cash payment in addition to the predetermined return.

#### 3.2.5 Share options/equity index options

There are various types of share options. Call options entitle the holder to buy previously issued shares at a predetermined price within a particular time frame. Put options, on the other hand, entitle the holder to sell shares at a predetermined price within a particular time frame. Each call option has a corresponding issued option. Unless risk restriction measures are taken, the risk for the option buyer is that it will fall in value or be worthless on the closing day. In the latter case, the premium paid to acquire the option is fully used up. In certain situations, the risk run by the issuer of an option may be unrestricted in size unless risk restriction measures are taken. The price of options is affected by the price of the corresponding underlying shares or index, but generally fluctuates more and affects the price more strongly than is the case with the shares or index.

Most trading in share options takes place on regulated markets. Trading in equity index options also takes place in these venues. These index options produce profit or loss directly in cash (cash settlement) based on the change in the underlying index. See also section 5 on derivatives.

#### 3.2.6 Equity forwards, equity index forwards and futures

A forward is a mutually binding contract between the parties to buy or sell the underlying asset at a previously agreed price, with delivery or other consideration, such as cash settlement, at a time specified in the contract (closing day). No premium is paid, since the parties have mutual liability under the contract.

A future is a type of forward. The difference between a future and a forward lies in the way they are settled (i.e. when the party to a contract receives or makes payment, depending on whether the position has increased or decreased in value). Futures are settled daily in the form of regular payments between the buyer and the seller, based on the value change from one day to the next of the underlying asset. Forwards are only settled in connection with the instrument's closing day. See also section 5 on derivatives.

#### 3.2.7 Warrants

Certain call and put options with longer maturities are also traded. In Sweden these are usually known as warrants. Warrants can be used to buy or sell underlying shares or, in other cases, to provide cash if the price of the underlying share moves in the right direction compared with the redemption price of the warrant. Subscription warrants for shares can be used within a certain time frame to subscribe for corresponding, newly issued shares. See also section 5 on derivatives.

#### 3.2.8 Leverage certificates

Leverage certificates, often known simply as certificates or, in some cases in Sweden, "bevis", are often a combination of, for example, a call option and a put option, and are dependent on an underlying asset, such as a share, index or commodity. A certificate has no nominal amount. Leverage certificates should not be confused with commercial papers, which are a type of promissory note that companies can issue when borrowing money on the capital market.

One thing that distinguishes leverage certificates is that relatively small price changes in underlying assets can produce considerable changes in the value of the holder's investment. These changes in value may be to the advantage of the investor, but also to the investor's disadvantage. In particular, the holder should be aware that leverage certificates can decline in value, even becoming completely worthless, meaning that all or parts of the invested amount may be lost. The same argument may also apply to options and warrants in many cases. See also section 5 on derivatives.

## 4. Interest rate-related instruments

An interest-bearing financial instrument is a receivable for the issuer of a loan. Return is in the form of interest. There are various forms of interest-bearing instruments, depending on who the issuer is, any security pledged by the issuer for the loan, the time left until the repayment date and the form in which interest is paid out. The interest (the coupon) usually paid out on a yearly basis.

Another form of interest payment is selling the instrument at a discount (discount security). At the time of sale, the price of the instrument is calculated by discounting the loan amount including estimated interest to the present value. The present value or price is lower than the amount received on repayment (the nominal amount). Bank certificates and treasury bills are examples of discount securities, as are bonds with a zero-coupon structure.

Another form of interest-bearing bond is government premium bonds, in which the loan interest is disposed of by lottery among the holders of the premium bonds. There are also interest rate instruments and other forms of saving in which the interest is protected from inflation and the investment therefore provides a fixed, real rate of interest.

In an interest-bearing instrument, the risk is made up partly of the change in price (price risk) that may occur during the investment term, depending on market interest rate changes, and partly from the fact that the issuer may not be able to repay the loan (credit risk). Loans for which sufficient security for repayment has been pledged are thus typically less risky than loans without security. In purely general terms, however, the risk of losses on interest-bearing instruments is regarded as lower than for shares. An interest-bearing instrument issued by an issuer with a high credit rating may therefore be a good option if you want to minimise the risk of your savings capital declining in value, and may be preferable for short-term savings. Elements of interest-bearing investments are also very common in long-term savings for which the capital must not be jeopardised. The disadvantage of an interest-bearing investment is that, as a rule, the value increase is low. Examples of interest-bearing investments are savings accounts, private bonds and fixed income funds.

The prices are set continuously for both instruments with a short investment term (less than one year), such as treasury bills, and instruments with longer investment terms, such as bonds. This takes place on the money and bond market. Market interest rates are affected by analyses and assessments made by the Riksbank (the Swedish Central Bank) and other major institutional market operators in regard to how a number of economic factors such as inflation, economic trends, interest rate changes in Sweden and other countries, and so on, will develop in the short and the long term. The Riksbank also undertakes what are known as monetary policy activities in order to manage market interest rates and keep inflation within established targets. The financial instruments that are traded on the money and bond market (e.g. government bonds, treasury bills and mortgage bonds) are often traded in extremely large amounts (multiple millions).

If the market interest rates go up, the price of the interest-bearing financial instruments already in circulation will fall if they have a fixed interest rate, since new loans are issued with interest rates that track the current market interest rate, and will thus produce higher interest than the instruments currently in circulation will. Conversely, the price of instruments in circulation goes up when the market interest rate goes down.

Loans issued by governments and municipalities are regarded as risk-free in terms of payment, and this also applies to government and municipal bonds. Issuers other than the government and municipalities may occasionally, when issuing bonds, pledge security in the form of other financial instruments or other property (security in rem).

There are also other interest-bearing instruments that carry a higher risk than bonds if the issuer has difficulty repaying the loan, e.g. debentures, since the loan is only repaid after all other creditors have been paid. Contingent convertibles, known as CoCos, are another type of complex product associated with risks that can be very difficult to understand. Essentially, they are bonds that can be written down if certain predefined triggers occur, i.e. they will lose all or part of their value, or are convertible into equity.

Secured bonds are a form of interest rate-related instruments. These are attached to a special priority right in accordance with special legislation. The regulations regarding secured bonds aim to ensure that investors receive full payment in accordance with an agreed schedule, even if the bond issuer goes bankrupt, provided that the asset securing the bond is worth enough.

## 5. Derivative instruments

Derivative instruments, such as options, forwards and so on, have various types of underlying assets, e.g. shares, bonds, commodities and currencies. Derivative instruments can be used to reduce the risk of an investment.

The price of a derivative instrument depends on the price of the underlying instrument. Unusually, the price of a derivative instrument often fluctuates more strongly than the change in the price of the underlying asset. This price impact is known as the leverage effect, and it can result in a greater return on invested capital than if you had invested directly in the underlying asset. On the other hand, the leverage effect can also cause a greater loss for the derivative instrument compared with the change in value of the underlying asset if the price of the underlying asset performs in a way that is unexpected. The leverage effect, i.e. the potential for profit or the risk of loss, varies depending on the structure of the derivative instrument and how it is used. This means that there are stringent requirements for monitoring the price performance of the derivative instrument and the underlying asset. Investors should be prepared to act quickly in their own interest, often during the day, if an investment in a derivative instrument moves in an unprofitable direction. When assessing risk, it is also important to take into account the fact that it may be more difficult to liquidate a position/holding if the price performs negatively.

For more information on derivative instruments, see Information on trading in options, forwards and other derivative instruments.

## 6. Structured Products

Structured products combine different kind of financial instruments, of which at least one is a derivative, which are provided to customers in the form of a single product to produce specific investment characteristics. Common characteristics of structured products are caps and floors to potential losses and yields. They are also used to separate market related yield from industry and company specific yield, giving investors the opportunity to narrow their risk exposure. There is a multitude of structured products available on the market today. Some structured products are produced to accommodate risk adversity, whereas others entail a higher risk than the underlying instruments individually. More detailed information regarding the risks associated with a specific product can normally be found in the product's prospectus. An investor purchasing such a security in the primary market is normally given the product's prospectus when the product is issued. Investors in secondary markets – that is, regulated markets and other venues trading previously issued financial products – are not automatically provided with the product's prospectus, and should therefore be sure to obtain it before making an investment decision.

With structured products, buyers can only assert their rights against the issuer. Hence, in addition to the market risk, particular attention needs to be paid to issuer risk. Customers therefore need to be aware that, as well as any potential loss they may incur due to the fall in the market value of the underlying instrument, a total loss of their investment is possible if the issuer should default. Market makers, who in most cases are the issuers themselves, normally guarantee that structured products are tradable, although liquidity risks cannot be excluded.

## 7. Funds and fund units

A fund is a "portfolio" of different financial instruments, such as shares and bonds. The fund is jointly owned by everyone who invests savings in the fund – known as the unitholders – and is managed by a fund management company. There are various types of funds with different investment focuses. "Investment focus" refers to the type of financial instrument in which the fund invests. Some of the most common types of funds are outlined in brief below. For more information, see the website of the Swedish Investment Fund Association, [www.fondbolagen.se](http://www.fondbolagen.se).

An equity fund invests all or most of the capital that the unitholders have invested in shares. There are also balanced funds, which invest in both shares and interest-bearing instruments, as well as pure fixed income funds, in which capital is invested in interest-bearing instruments.

One of the aims of an equity fund is to invest in many different shares and other share-related financial instruments, thus reducing the company-specific risk for the unitholder, compared with a shareholder who invests in one or just a few shares. The unitholder also avoids having to select, buy, sell and monitor the shares and other administration regarding this.

The principle for fixed income funds is the same as for equity funds – investing in various interest-bearing instruments in order to spread the risk of the fund, and the fund is managed based on analysis of future belief in the interest rate.

"Funds of funds" invest only in other funds. They may be regarded as an alternative to making your own investments in several different funds. This spreads the risk in the same way that a well-put-together personal portfolio can. The investment focus and risk level varies between funds of funds.

Other examples of funds are index funds that are not actively managed by a fund manager, but instead invest in financial instruments that track the composition of a particular index.

A hedge fund is another type of fund. In English, "to hedge" means "to protect". While hedging is intended to protect against unexpected changes in the market, a hedge fund can still be a high-risk fund, since such funds are often heavily encumbered. However, hedge funds vary widely, and there are also low-risk hedge funds. Hedge funds try to produce a positive return regardless of whether the share or interest markets go up or down. A hedge fund is often a special fund which has greater freedom in its investment options than traditional funds (securities funds). The investment focus could be anything from shares, currencies and interest-bearing instruments to various arbitrage strategies (speculating on changes in interest rates and/or currencies, for example). Hedge funds often employ derivatives with the aim of increasing or decreasing the fund's risk. Short selling (see below) is another common element.

**Information** about SEB and its securities services, cont.

Funds can also be divided into securities funds (also known as UCITS funds) and special funds. Securities funds are those that meet the requirements of what is known as the UCITS Directive as regards investment provisions and spread of risk. Both Swedish and foreign securities funds (which are licensed in their home country within the European Economic Area (EEA)) may freely be sold and marketed in all EEA countries. Special funds (including hedge funds, see above), comply with what is known as the AIFM Directive. These funds deviate somewhat from the rules of the UCITS directive, so it is very important that you find out which investment rules the special fund you are intending to invest in will observe. This will be explained in the information brochure and fact sheet for the fund. All fund management companies are obliged to voluntarily offer potential investors the fact sheet for the fund. Special funds cannot be freely marketed and sold outside of Sweden to retail customers. Funds that are invested in foreign financial instruments also incur a currency risk (see also section 2.2, above).

The unitholders receive a number of units in the fund equivalent to the proportion of capital they have invested relative to the fund's total capital. These units can be bought and redeemed via securities companies, which offer units in the fund for sale, or directly via the fund management company. However, it is important to remember that certain funds may have fixed periods when the fund is "open" for buying and redemption, so regular trading is not always possible. The fund management company regularly calculates the present value of the units, based on the change in the price of the financial instruments included in the fund. The capital invested in a fund may either rise or fall in value, so it is not certain that the investor will get back the entire amount of capital invested.

## 8. Short selling

Short selling means that a party who has borrowed financial instruments, thus undertaking to repay instruments of the same type to the lender, sells the borrowed instruments. When selling, the borrower banks on buying instruments on the market at a lower price than when the borrowed instruments were sold at the time of return. If the price has gone up, a loss is incurred, and in the event of large price increases this can be considerable.

## 9. Securities Lending

By entering into a securities lending transaction, the lender forgoes any and all rights associated with ownership of the securities lent, including but not limited to any rights of dividends, voting rights and similar, for the period during which the securities are lent. The borrower will however, under normal circumstances, be obliged to forward or otherwise compensate the lender for any dividend or benefit of corporate actions.

In settling a securities lending transaction, the lender is entitled to reacquire the securities lent, alternatively receive their cash equivalent or the proceeds of redemption. Upon the borrower's insolvency or other cause of default, the lender's rights to return of the securities is limited to any collateral the borrower has provided.

## 10. Suspension of Trading

A situation may occur in which a position held by an investor can not be closed due to the suspension of trading in response to rapid price movements, in either direction, in an instrument. Events such as the suspension of trading limit the effectiveness of providing stop-loss instructions and similar arrangement which are designed to limit the adverse impact of aforementioned rapid price movements, which may, in such event, not be possible to execute.

## 11. Stabilisation

From time to time the Bank may enter into transactions with you in securities which are the subject of stabilisation. In the interest of ensuring that markets for newly issued securities do not fluctuate heavily in the first days after their introduction, financial regulators have passed certain regulations which, provided the prescribed requirements are observed, permit the manager(s) of an issue to stabilise the price of the securities involved by repurchase them in the market. This activity can result in the price of the relevant security being temporarily higher than it might otherwise be at that moment. However, given the nature of new issue markets, stabilisation activities do not indicate the true underlying demand for a share – which may only become apparent once the period immediately after the introduction has passed and any stabilisation activity has ended.

## 12. Borrowing

In many cases, financial instruments can be bought for partly borrowed capital. Since both own equity and borrowed capital affect the return, customers may obtain a greater return via loan financing if the

investment moves in a positive direction compared to investing with their own equity only. The debt linked to the borrowed capital is not affected if the prices of the instruments you have bought move in a positive or negative direction, which is an advantage in the case of positive price movement. If the prices of the instruments you have bought move in a negative direction, there is a corresponding disadvantage, since the full debt still remains, i.e. in monetary terms the price drop uses up your equity. If the price drops, your equity could thus be entirely or partly used up, while the debt will still have to be paid fully or partly through the proceeds from selling the financial instruments that have declined in value. The debt must be paid even if sale proceeds do not cover the entire debt.

As a customer, you must be aware of the following:

- investments or other positions in financial instruments are undertaken at your own risk
- as a customer, you must carefully read SEB's general terms and conditions for trading financial instruments and, where appropriate, in prospectuses and other information about the relevant financial instrument, its nature and risks
- when trading financial instruments it is important to check all reporting about your transactions and holdings, and to immediately report any errors
- it is important to continuously monitor changes in the value of your financial instrument holdings and positions
- as a customer, you must initiate any action necessary to reduce the risk of losses
- your rights as a customer regarding foreign financial instruments or funds can vary depending on the jurisdiction that applies to said financial instruments or funds
- over and above anything that may have been agreed between SEB and you as a customer, a depositary third party may have security in or right of set-off regarding your securities or funds.

Further general information about various types of financial instruments and trading financial instruments as well as suggestions for further reading on the subject are also available; for example, see the Swedish Consumers' Banking and Finance Bureau website, [www.konsumenternas.se/](http://www.konsumenternas.se/), and the Swedish Securities Dealers Association website, [www.swedsec.se](http://www.swedsec.se).

Information about specific financial instruments and their issuers is available in the prospectus, which can easily be found via [www.SEB.se](http://www.SEB.se).

## Information about trading in options, forwards and other derivative instruments

### 1. General information about the risks of derivative instruments

Trading in derivative instruments is associated with particular risks, which will be described in more detail in this information. The customer is responsible for the risks, and so must personally read and learn about the conditions that apply to trading in such instruments in the form of general terms and conditions, fact sheets, prospectuses and so on, and about the nature of and risks associated with the instruments, via their appointed securities company or through their representative asset manager. The customer must also regularly monitor his or her investments (positions) in such instruments. Monitoring information (price information, etc.) is available via trading venue websites, in daily papers and in other media, as well as from the customer's securities company. The customer should also be prepared to take action quickly if this turns out to be necessary to protect his or her interests, for example, by pledging additional security or closing investments in derivative contracts (disposing of or closing the positions).

### 2. Use of derivative instruments

Derivative instruments are a form of agreement (contract) in which the agreement itself is subject to trading on the capital market. The derivative instrument is linked to an underlying asset or an underlying value. This asset or value (hereinafter referred to simply as the asset) may comprise a financial instrument, some other asset with economic value, such as a currency or commodity, or some kind of measure of value, such as an index. Derivative instruments may be used to protect against undesired price changes in the underlying asset. They can also be used to achieve a profit or return with a lower capital injection that would be required for an equivalent transaction directly involving the underlying asset. Derivative instruments can be used for other purposes. The use of derivative instruments is based on certain expectations regarding the underlying asset's performance over a given time period. Before trading in derivative instruments begins, it is thus important for the customer to clarify the purpose and the price performance of the underlying asset that can be anticipated – and, on this basis, to choose the right derivative instrument or combination of such instruments.



### 3. Types of derivative instruments

The main types of derivative instruments are options, forwards and swap agreements.

An option is an agreement for one party (the issuer of an option contract) to undertake to buy or sell the underlying asset from or to the other party (the contract holder) at a predetermined price (the redemption price). Depending on the type of option, the contract may either be used at any time during the investment term (American option) or only on the closing day (European option). The holder pays compensation (a premium) to the user and receives a right to use the contract, but has no obligation to do so. The issuer, on the other hand, is obliged to redeem the contract if the holder so demands (redeems the option). The performance of the underlying asset is usually crucial to the performance of the value of the option. Unless risk restriction measures are taken, the risk for the option buyer is that the option will fall in value or be worthless on the closing day. In the latter case, the premium paid to acquire the option is fully used up. In certain situations, the risk run by the issuer of an option may be unrestricted in size unless risk restriction measures are taken. The price of options generally tracks the price of the corresponding underlying shares or index in the same or opposite direction, but fluctuates more and affects the price more strongly than is the case with the shares or index.

A forward is a mutually binding contract between the parties to buy or sell the underlying asset at a previously agreed price, with delivery or other consideration, such as cash settlement, at a time specified in the contract (closing day). No premium is paid, since both parties have mutual liability under the contract.

A future is a type of forward. The difference between a future and a forward lies in the way they are settled (i.e. when the party to a contract receives or makes payment, depending on whether the position has increased or decreased in value). Futures are settled daily in the form of regular payments between the buyer and the seller, based on the value change from one day to the next of the underlying asset. Forwards are only settled in connection with the instrument's closing day.

A swap agreement means that the parties agree to provide ongoing payments to each other, for example, calculated on fixed or variable interest rates (interest rate swap), or to swap some form of asset with each other at a certain time, such as different types of currency (currency swap).

Certain call and put options with longer maturities are also traded. In Sweden these are usually known as warrants. Warrants can be used to buy or sell underlying shares or, in other cases, to provide cash if the price of the underlying share moves in the right direction compared with the redemption price of the warrant. Subscription warrants for shares can be used within a certain time frame to subscribe for corresponding, newly issued shares.

Leverage certificates, which are often known simply as certificates, are often a combination of, for example, a call and put option, and are dependent on an underlying asset, such as a share, index or commodity. A certificate has no nominal amount. Leverage certificates should not be confused with commercial papers, which are a type of promissory note that companies can issue when borrowing money on the capital market.

One thing that distinguishes leverage certificates is that, as with other derivative instruments, relatively small price changes in underlying assets can produce considerable changes in the value of the holder's investment. These changes in value may be to the advantage of the investor, but also to the investor's disadvantage. In particular, the holder should be aware that leverage certificates can decline in value, even becoming completely worthless, meaning that all or parts of the invested amount may be lost. The same argument also generally applies to options and warrants.

Autocalls are a type of instrument intended to offer potential for a good return in a lateral or moderately declining market. They are generally offered with conditional capital protection down to a certain level or barrier. This protection ceases if the downside barrier is passed. This means there is a substantial risk that the nominal amount will be lost when investing in an autocall.

Derivative instruments can be combined in certain ways to ensure a certain amount of protection from changes in the price of the underlying asset, or to obtain a certain economic result relative to the anticipated price performance of the underlying asset.

When trading in combined products, it is important to acquaint yourself with the various components of the product and how these interact. In some cases, the interaction between components can result in a higher risk than each component would by itself. For a more detailed description of a particular product's component parts and how they interact, consult the issuing securities company and the relevant prospectus.

### 4. Characteristics of derivative instruments

Trading in derivative instruments can be described as trading in or transfer of risk. An investor who fears that the market is about to drop, for example, can buy put options that increase in value if the market falls. To reduce or avoid the risk of the market dropping, the buyer pays a premium, i.e. the cost of the option.

Trading in derivatives requires specialist expertise. It is therefore important that anyone intending to trade in derivative instruments pay attention to the following characteristics of such instruments. The structure of a derivative instrument means there is a risk that the price of the underlying asset will have a negative impact on the rate or price of the derivative instrument. This price impact is often stronger relative to the deposit (the premium paid) than the change in the value of the underlying asset. The price impact is therefore known as the leverage effect, and it can result in a greater return on invested capital than if you had invested directly in the underlying asset. On the other hand, the leverage effect can also cause a greater loss for the derivative instrument compared with the change in value of the underlying asset if the price of the underlying asset performs in a way that is unexpected. The leverage effect, i.e. the potential for profit or the risk of loss, varies depending on the structure of the derivative instrument and how it is used. This means that there are stringent requirements for monitoring the price performance of the derivative instrument and the underlying asset. Investors should be prepared to act quickly in their own interest, often during the day, if an investment in a derivative instrument performs negatively. When assessing risk, it is also important to take into account the fact that it may be more difficult to liquidate a position/holding if the price performs negatively.

The party that undertakes an obligation by issuing an option or entering into a forward contract is compelled from the outset to pledge security for the undertaking. As the price of the underlying asset moves up or down with time, meaning that the value of the derivative instrument rises or falls, the requirement for security also changes. Further security in the form of additional security may therefore be required. The leverage effect thus also applies to the security requirement, which can change quickly and substantially. If the customer does not pledge adequate security, the counterparty or the securities company has generally reserved the right to end the investment (close the position) without consulting the customer in order to minimise the damage. Customers should therefore carefully track price performance in regard to the security pledge to prevent the position being closed involuntarily.

The investment term for derivative instruments may vary from a very short period up to several years. Price changes are often greatest for instruments with a short investment term. The price of an option held, for example, generally drops increasingly fast towards the end of the investment term because its "time value" declines. Customers should thus also monitor the investment term of derivative instruments.

It should be noted that derivatives are often cleared by central counterparties (CCPs), which enter into each derivative contract as a counterparty.

As a customer, you must be aware of the following:

- investments or other positions in derivative instruments are undertaken at your own risk
- as a customer, you must carefully read the terms and conditions for trading financial instruments, information in fact sheets, prospectuses and other information about the relevant derivative instrument, its nature and risks
- when trading financial instruments it is important to check all reporting about your transactions and holdings and positions, and to immediately report any errors
- it is important to continuously monitor changes in the value of your holdings and positions in relevant instruments, and to be prepared to act quickly
- as a customer, you must meet the security requirements within the agreed frameworks
- as a customer, you must initiate any action necessary to reduce the risk of losses.