

## **STRUCTURED SWAPS SUPPLEMENT**

This Structured Swaps Supplement ("**Supplement**") forms an integral part of the Freedom Finance Europe Ltd General Terms of Business available at <https://freedomfinance.eu/documents> ("**General Terms**") and the relevant Services cannot be provided to the Client unless and until the Client accepts the General Terms. Capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the General Terms.

Subject to this Supplement, the Company may agree to provide the Client with a service of execution of orders on the Client's behalf in relation to over-the-counter (OTC) structured swap transactions ("**Swaps**") as may be from time to time offered by the Company's partners specified in Exhibit A to this Supplement (each, a "**Counterparty**"), including execution and settlement of the Swaps, as well as acting as agent for and on the Client's behalf in respect thereof.

### **1. THE BASICS**

1.1. A **derivative** contract can be defined as a contract between two or more parties the price of which is based on an underlying asset, which can be a stock, bond, commodity, currency, exchange or interest rate, market index or other asset. Derivatives have certain inherent characteristics (but have risks associated with them):

- (a) derivatives are extremely flexible and can be precisely tailored to the specific needs of counterparties;
- (b) derivatives can exposure to underlying asset price movements without physical exposure to an asset, usually with minimal upfront committed capital, and they may be highly leveraged;
- (c) derivatives can synthetic structures based on underlying assets that are impossible to invest in directly e.g., weather patterns, carbon emissions, credit default events or global freight prices.

1.2. The **Swaps** are OTC derivative contracts entered into between the relevant Counterparty and the Company acting as agent for and on the Client's behalf. **OTC** means that the execution of Swaps does not take place on a regulated market such as a stock exchange.

1.3. The Company currently executes orders in the following types of Swaps:

- (a) **Share Swap Transactions** which are Swaps whereby the amount of principal (final exchange amount) and/or interest (fixed rate amount) payable are dependent upon the price

of or changes in the price of shares, GDRs and/or ADRs or a basket of shares, GDRs and/or ADRs or, depending on the price of or change in the price of shares, GDRs or ADRs or the basket of shares, GDRs and/or ADRs.

(b) **Private Equity Swap Transactions** which are Swaps, designed to offer the Client return linked to the value of certain private equity shares at certain pre-determined valuation dates.

(c) **Credit Default Swap Transactions**, which are Swaps, designed to transfer Counterparty's (buyer's) credit exposure to certain reference entities and obligations to the Client (seller) in exchange for payments of interest (fixed rate amount).

## 2. RISK

2.1. The Swaps are complex investment products that may not be fitting for all investors. Where a Swap is intended to be distributed to retail investors the manufacturer of such Swap is required under Applicable regulations to publish a short pre-sale disclosure document ("**Key Information Document**" or "**KID**") aimed at assisting potential investors with understanding the nature, risks, costs, potential gains and losses of the relevant Swap in comparison with other investments. The key information to be disclosed in the KIDs includes: (i) the nature and features of the Swap, including whether it is possible to lose capital; (ii) the costs and risk profile of the Swap; and (iii) relevant performance information. Where the Company is the manufacturer of a Swap, a KID prepared in respect of such Swap is available at <https://freedomfinance.eu/documents>. Where the relevant Counterparty is the manufacturer of such Swap, a KID in respect of such Swap is available at the relevant Counterparty's website (as may be specified in Exhibit A) and/or at the relevant product page at the Electronic Trading Platform.

2.2. Any investment in the Swaps is subject to a number of risks. Prior to investing in the Swaps, the Client should carefully consider risk factors associated with any investment in the Swaps, the business of the Counterparty and the industry in which it operates together with all other information contained herein, in the relevant KID and in other materials made available at <https://freedomfinance.eu/documents> or the relevant Counterparty's website (as may be specified in Exhibit A) and/or at the relevant product page at the Electronic Trading Platform, including, but not limited to the risk factors described below. The following is not an exhaustive list or explanation of all risks which the Client may face when making an investment in the Swaps and should be used as guidance only.

2.3. The Swaps being uncleared off-exchange OTC derivatives entail a counterparty credit risk, whereby investors are exposed to the inability of the Counterparty to perform its obligations under the relevant Swap. Each Counterparty is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk and capital risk arising from the financial instruments it holds. Each Counterparty's obligations under the Swaps are unsubordinated and unsecured obligations of the Counterparty and will rank *pari passu* with its other unsubordinated and unsecured obligations.

2.4. The Swaps may not be a fitting investment for all investors. Before investing in any Swap the Client shall make its own determination whether any such investment fits its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment. In particular, the Client should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Swaps, the merits and risks of investing in the Swaps and the information contained in the KIDs;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Swaps and the impact the products will have on the Client's overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Swaps;
- (d) understand thoroughly the contractual documentation governing Swaps, underlying securities and underlying obligations and be familiar with the behaviour of financial markets and of any financial variable which might have an impact on the return on the Swaps; and
- (e) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect the Client's investment and its ability to bear the applicable risks.

The Client shall also consult the Client's own tax adviser as to the tax consequences of investments in the Swaps.

2.5. The Swaps do not represent a claim against any issuer, reference entity, sponsor, manager or other connected person in respect of their underlying assets and the Client will not have any right of recourse under the Swaps to any such issuer, reference entity, sponsor, manager or other connected person. The Swaps are not in any way sponsored, endorsed or promoted by any issuer, reference entity, sponsor, manager or other connected person in respect of any underlying asset and such entities have no obligation to take into account the consequences of their actions on any party to the Swaps.

2.6. The Swaps involve liquidity risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate the existing position and/or to assess the value of the position arising from a Swap.

2.7. The Client understands and agrees that if the Client decides to terminate any Swap before maturity (as specified below) the Client may, under the applicable Swap terms, receive an early termination amount that is much less than the amount of the Client's investment.

2.8. The Client understands and agrees that the Company, each Counterparty and their respective Affiliates play a variety of roles in connection with the manufacturing and distribution of the Swaps. In performing these functions, the economic interests of the Company, each Counterparty and their Affiliates may be misaligned or be potentially adverse to the Client's interests as an investor in the Swap. In addition, business activities of the Company, each Counterparty and their respective Affiliates, including hedging and trading activities, could cause their economic interests to be adverse to the Client's. It is possible that hedging or trading

activities of the Company, each Counterparty and their respective Affiliates may result in substantial returns for them while the value of the Swaps goes down.

2.9. The Client should be aware that depending on the terms of a Share Swap Transaction (i) the Client may receive no or a limited amount of interest (fixed rate amount), (ii) payment of principal (final exchange amount) or interest (fixed rate amount) may occur at a different time than expected and (iii) the Client may lose all or a substantial portion of the Client's investment. In addition, the movements in the price of the share, GDR and/or ADR or basket of shares, GDRs and/or ADRs may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant price of the share(s), GDR(s) and/or ADR(s) may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the price of the share(s), GDR(s) and/or ADR(s), the greater the effect on yield.

2.10. The Client should be aware that under the terms of a Private Equity Swap Transaction (i) the Client will receive no interest in respect of the invested amount, (ii) in no circumstances the Client will be entitled to physical delivery of any shares or other assets or any dividends or other distributions in respect thereof and (iii) the Client may lose all or a substantial portion of the Client's investment. The return on Client's investment in a Private Equity Swap Transaction is linked to the value of certain private equity shares on the relevant valuation dates. If such shares become the subject of an adjustment event (including a conversion, share split or other event), the return of the Transaction will be linked to the value of such resulting entitlements. The Counterparty is not required to hedge its exposure under any Private Equity Swap Transaction and is not required to own any shares. Although Private Equity Swap Transactions are designed to provide investors a return linked to the IPO price of the shares, there is no guarantee that an IPO will occur before the relevant valuation date or ever. If an IPO does not occur by the relevant valuation date the shares' value will be determined by the Counterparty, which may be based on the hedging unwind costs of the Counterparty or its affiliates, or estimated or indicative prices of the shares in private illiquid markets, which prices may not be a reliable indicator of the actual value of the shares. The Company and/or the Counterparty has not provided any disclosure or made any representations to the Client about the issuer or the shares and the issuer thereof and will not provide such information in future. The Company and the Counterparty takes no responsibility for any information about the the shares or the issuer thereof. Private Equity Swap Transactions are therefore fitting only for investors who are able to make their own assessment of the relevant private equity shares and their issuer.

2.11. The Client should be aware that depending on the terms of a Credit Default Swap Transaction (i) the Client may receive no or a limited amount of interest (fixed rate amount), (ii) payment of principal (final exchange amount) or interest or delivery of any specified assets may occur at a different time than expected and (iii) the Client may lose all or a substantial portion of the Client's investment. If the Client invests in a Credit Derivative Transaction the Client will be exposed to the credit risk of one or more reference entities. Upon the occurrence

of any of the default events comprising a credit event with respect to any reference entity, the Client may suffer significant losses at a time when losses may be suffered by a direct investor in obligations of such reference entity. However, investing in such Swap is unlikely to lead to outcomes which exactly reflect the impact of investing in an obligation of a reference entity, and losses could be considerably greater than would be suffered by a direct investor in the obligations of a reference entity and/or could arise for reasons unrelated to such reference entity. The Client should also note that a credit event may occur even if the obligations of a reference entity are unenforceable or their performance is prohibited by any applicable law or exchange controls.

### 3. EXECUTION OF ORDERS IN SWAPS

3.1. Subject to this Schedule, the Client may provide the Company with instructions via the Electronic Trading Platform to enter into Swaps with the Counterparty as agent for and on the Client's behalf (each, a "**Swap Order**"). These Swap Orders may be provided solely with respect to Swaps and shall contain references to the applicable contract specifications available at <https://freedomfinance.eu/documents> or the relevant Counterparty's website (as may be specified in Exhibit A) or as otherwise provided to the Client by the Company (including, via the Electronic Trading Platform) (each, a "**Specification**") as well as the amount the Client plans to invest calculated as a multiple of such Swap's denomination (as set out in the applicable Specification) and the number of Swaps the Client plans to invest in (the "**Notional Amount**"). The Client understands and agrees that the Company has the right to refuse to take any Swap Order, provided the Company gives the Client prompt notice of such refusal.

3.2. To the extent that the Company is required to assess whether a Swap is appropriate for the Client the Company will, prior to execution of any Swap Order, determine whether the Client has the necessary experience and knowledge in order to understand the risks involved in investment in such Swap. In doing so, the Company will rely on the information that has been supplied to the Company by the Client at the commencement of the Company's business relationship and updated by the Client from time to time. The Client is strongly encouraged to supply the Company with all such available information as well as keep the Company informed on any changes relating to such information. Where the Company considers that a Swap is not appropriate for the Client the Company may in the Company's absolute discretion refuse to provide any Services in respect thereof. The Client understands that where the Client elects not to provide full details of the Client's knowledge and experience that will not allow the Company to determine whether a Swap envisaged is appropriate for the Client

3.3. After receipt of the Client's Swap Order the Company shall not later than the Effective Date set out in the applicable Specification either:

- (a) enter as agent for and on the Client's behalf into a Swap with the Counterparty and provide to the Client a letter from the Counterparty confirming that the terms of the Swap have taken effect ("**Confirmation**"); or
- (b) inform the Client that the Client's Swap Order has been rejected.

- 3.4. The Client understands, acknowledges and agrees that:
- (a) execution of any Swap Order cannot be accurately pre-determined or guaranteed;
  - (b) the Company gives no warranty as to the execution of any Swap Order; and
  - (c) nothing contained herein amounts to any warranty or guarantee (express or implied) on the Company's behalf that any Swap will actually be entered into and/or that any Counterparty will duly discharge its obligations under any executed Swap.
- 3.5. The Client shall be bound by the terms of a Swap on the date of the relevant Confirmation. The Client understands and agrees that the Counterparty is not under any obligation to, and that nothing contained herein amounts to any warranty or guarantee (express or implied) on the Company's behalf that the Counterparty will, enter into any Swaps with the Client.
- 3.6. The Company shall charge the Client an one-off fee set out in the Fee Schedule for executing a Swap Order calculated as a percentage of the amount invested.
- 3.7. By submitting a Swap Order the Client, by way of security, irrevocably appoints the Company to be the Client's attorney, and in the Client's name and on the Client's behalf and as the Client's act and deed, to execute, deliver and perfect all documents (including any instruments of transfer) and do all things that the Company may consider to be necessary for executing and settling the relevant Swap and carrying out any actions contemplated thereby including without limitation to consider, settle, approve, sign, execute, deliver and/or issue all agreements, documents, certificates and instruments which the Company in the Company's absolute discretion considers desirable with the view to execute and settle the Swap, and to receive, or cause to be received on the Client's behalf, all such payments and deliveries, as the Company may deem necessary or advisable to carry out the intent of the foregoing. The Client ratifies and confirms, and agrees to ratify and confirm, anything that the Company may do in the proper and lawful exercise, or purported exercise, of all or any of the rights, powers, authorities and discretions conferred on the Company herewith.
- 3.8. The Client understands and agrees that the Company does not provide to the Client any investment advice in respect of any Swap nor determines if the Client's decision to enter into any Swap is in the Client's best interests. Prior to making any Swap Orders, the Client shall obtain its own financial, legal, taxation and other professional advice and satisfy itself as to full compliance with the requirements of the applicable laws and regulations of any territory relevant to the Client's case as well as the Client's investment objectives.
- 3.9. On submission of any Swap Order the Client shall be deemed to repeat the representations and warranties contained in the General Terms and further represent and warrant to the Company that:
- (a) the information, in written or electronic format, supplied by the Client, or on the Client's behalf to the Company in connection with such Swap Order and/or the General Terms is complete, true, accurate in all material respects and not misleading in any material respect, nor rendered misleading by a failure to disclose other information;

- (b) in respect of the relevant Swap, the Client has received electronic copies of the KID and Specification including all documents incorporated by reference thereto ("**Product Documents**");
- (c) the Client fully understands and expressly consents to the Product Documents; and
- (d) the Client fully understands and accepts all the risks associated with the relevant Swap as specified in the General Terms and the Product Documents.

#### **4. LIMITATION OF LIABILITY**

The Client understands and agrees that the Company shall not be held liable for:

- (a) any actions, claims, demands, liabilities, proceedings, costs, fees, charges, losses, expenses, settlements, taxes, duties, levies, damages and liabilities of every description (including without limitation legal fees, accountant's fees, interest, fines and penalties) whether actual or future ("**Loss**"), which may be sustained or incurred by or asserted against the Client in connection with any Swap unless such Loss has been proved to directly arise from the Company's gross negligence, wilful misconduct or fraud; and/or
- (b) any indirect, consequential or special loss, howsoever arising; and/or
- (c) any Loss resulting from an act or omission of any third party, whether or not appointed by the Company, which is beyond the Company's control (including, without limitation, the relevant Counterparty) and the Company shall not be obliged to request such third party to comply with its obligations; and/or
- (d) any delay in performance, or for the non-performance of any of the Company's obligations under this Schedule by reason of any cause beyond the Company's reasonable control or for any Loss caused by the occurrence of any contingency beyond the Company's reasonable control. This includes without limitation acts of God or other natural disaster; epidemic or pandemic; terrorist attack, civil war, civil commotion or riots, war, threat of or preparation for war, armed conflict, imposition of sanctions, embargo, or breaking off of diplomatic relations; any law or any action taken by a government or public authority, including without limitation imposing an export or import restriction, quota or prohibition, imposing or changing (including a change of interpretation) any law or governmental or regulatory requirement or failing to grant a necessary licence or consent; collapse of buildings, fire, explosion or accident; any labour or trade dispute, strikes, industrial action or lockouts; non-performance by subagents or intermediaries; insolvency, default, suspension, failure or closure of any market, exchange, clearing house, settlement or credit institution; limits on trading, rulings by any exchange or market or other regulatory or self-regulatory organisation; interruption or failure of any power or telecommunication lines, computer systems or utility service.

#### **5. EARLY TERMINATION**

5.1. The Client understands that due to the Swaps being illiquid financial instruments, termination of any Swap prior to its maturity (as set out in the relevant Specification) may be impossible at certain times and will in any case be subject to a separate agreement with the relevant Counterparty. The Client further understands and agrees that where a Counterparty agrees to early termination of a Swap, the amount that the Client may receive as a result of such early termination ("**Early Termination Amount**") will be equal to the difference between Counterparty's evaluation of the relevant Swap's fair value and an evaluation of Counterparty's costs and expenses relating to such early termination and may, therefore, be significantly less than the Notional Amount.

5.2. If the Client wishes to terminate a Swap prior to its maturity (as set out in the relevant Specification) the Client shall provide the Company with an instruction via the Electronic Trading Platform to negotiate the conditions of the early termination of the Swap ("**Early Termination Request**").

5.3. Within five (5) Business Days following the date of an Early Termination Request the Company shall either:

- (a) transmit to the Client via the Electronic Trading Platform an early termination offer from the Counterparty indicating the date of the early termination ("**Early Termination Date**") and the proposed Early Termination Amount or the formula for its calculation ("**Early Termination Offer**"); or
- (b) inform the Client via the Electronic Trading Platform that the Counterparty has refused early termination of the Swap.

5.4. Where the Client receives an Early Termination Offer it shall instruct the Company via the Electronic Trading Platform to accept the Early Termination Offer on behalf of the Client not later than at the close of business on the proposed Early Termination Date.

5.5. The Client understands and agrees that the Company provides no warranty or guarantee (express or implied) that the Counterparty will discharge its obligations following acceptance of the Early Termination Offer and/or that the Swap will actually be terminated and/or that the Client will actually receive the Early Termination Amount from the Counterparty.





Exhibit A to the Structured Swaps Supplement

**List of Counterparties**

1. **Freedom Finance Technologies Ltd**, a private company limited by shares duly incorporated in the Republic of Cyprus with company number HE 407816, whose registered office is at at Christaki Kranou 20, Freedom Tower, 5th Floor, 4041 Germasogeia, Limassol, Cyprus.
2. **Freedom Structured Products Plc**, a public company limited by shares duly incorporated in the Republic of Cyprus with company number HE 443900, whose registered office is at Arch. Makariou III, 2-4, CAPITAL CENTER, Floor 9, 1065 Nicosia, Cyprus.

Website for product documentation: <https://freedom-sp.eu/>