Risk Warning Statement
Overseas-Listed Investment Products

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RISK WARNING

An overseas-listed investment product* is subject to the laws and regulations of the jurisdiction it is listed in. Before you trade in an overseas-listed investment product or authorise someone else to trade for you, you should be aware of:

- The level of investor protection and safeguards that you are afforded in the relevant foreign jurisdiction as the overseas-listed investment product would operate under a different regulatory regime.
- The differences between the legal systems in the foreign jurisdiction and Singapore that may affect your ability to recover your funds.
- The tax implications, currency risks, and additional transaction costs that you may have to incur.
- The counterparty and correspondent broker risks that you are exposed to.
- The political, economic and social developments that influence the overseas markets you are investing in.

These and other risks may affect the value of your investment. You should not invest in the product if you do not understand or are not comfortable with such risks.

*An “overseas-listed investment product” in this statement refers to capital markets products that are approved in-principle for listing and quotation on, or listed for quotation or quoted only on, one or more overseas securities exchanges or overseas futures exchanges (collectively referred to as “overseas exchanges”).

1. This statement is provided to you in accordance with paragraph 29D of the Notice on the Sale of Investment Products [SFA04-N12].
2. This statement does not disclose all the risks and other significant aspects of trading in an overseas-listed investment product. You should undertake such transactions only if you understand and are comfortable with the extent of your exposure to the risks.
3. You should carefully consider whether such trading is suitable for you in light of your experience, objectives, risk appetite, financial resources and other relevant circumstances. In considering whether to trade or to authorise someone else to trade for you, you should be aware of the following:

Differences in Regulatory Regimes

a. Overseas markets may be subject to different regulations, and may operate differently from approved exchanges in Singapore. For example, there may be different rules providing for the safekeeping of securities and monies held by custodian banks or depositories. This may affect the level of safeguards in place to ensure proper segregation and safekeeping of your investment products or monies held overseas. There is also the risk of your investment products or monies not being protected if the custodian has credit problems or fails. Overseas markets may also have different periods for clearing and settling transactions. These may affect the information available to you regarding transaction prices and the time you have to settle your trade on such overseas markets.

b. Overseas markets may be subject to rules which may offer different investor protection as compared to Singapore. Before you start to trade, you should be fully aware of the types of redress available to you in Singapore and other relevant jurisdictions, if any.

c. Overseas-listed investment products may not be subject to the same disclosure standards that apply to investment products listed for quotation or quoted on an approved exchange in Singapore. Where disclosure is made, differences in accounting, auditing and financial reporting standards may also affect the quality and comparability of information provided. It may also be more difficult to locate up-to-date information, and the information published may only be available in a foreign language.

Differences in legal systems

d. In some countries, legal concepts which are practiced in mature legal systems may not be in place or may have yet to be tested in courts. This would make it more difficult to predict with a degree of certainty the outcome of judicial proceedings or even the quantum of damages which may be awarded following a successful claim.

e. The Monetary Authority of Singapore will be unable to compel the enforcement of the rules of the regulatory authorities or markets in other jurisdictions where your transactions will be effected.

f. The laws of some jurisdictions may prohibit or restrict the repatriation of funds from such jurisdictions including capital, divestment proceeds, profits, dividends and interest arising from investment in such countries. Therefore, there is no guarantee that the funds you have invested and the funds arising from your investment will be capable of being remitted.

g. Some jurisdictions may also restrict the amount or type of investment products that foreign investors may trade. This can affect the liquidity and prices of the overseas-listed investment products that you invest in.

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Different costs involved

h. There may be tax implications of investing in an overseas-listed investment product. For example, sale proceeds or the receipt of any dividends and other income may be subject to tax levies, duties or charges in the foreign country, in Singapore, or in both countries.

i. Your investment return on foreign currency-denominated investment products will be affected by exchange rate fluctuations where there is a need to convert from the currency of denomination of the investment products to another currency, or may be affected by exchange controls.

j. You may have to pay additional costs such as fees and broker's commissions for transactions in overseas exchanges. In some jurisdictions, you may also have to pay a premium to trade certain listed investment products. Therefore, before you begin to trade, you should obtain a clear explanation of all commissions, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

Counterparty and correspondent broker risks

k. Transactions on overseas exchanges or overseas markets are generally effected by your Singapore broker through the use of foreign brokers who have trading and/or clearing rights on those exchanges. All transactions that are executed upon your instructions with such counterparties and correspondent brokers are dependent on their respective due performance of their obligations. The insolvency or default of such counterparties and correspondent brokers may lead to positions being liquidated or closed out without your consent and/or may result in difficulties in recovering your monies and assets held overseas.

Political, Economic and Social Developments

l. Overseas markets are influenced by the political, economic and social developments in the foreign jurisdiction, which may be uncertain and may increase the risk of investing in overseaslisted investment products.

Risk Disclosure Statement for Investing in Securities

This statement does not disclose all of the risks and aspects of investing. You should carefully consider whether investing is appropriate for you based on your investment knowledge, investment experience, investment objectives, time horizon, financial resources, and any other relevant circumstances. Each type of security involves different aspects and risks which you should familiarize yourself with before purchasing or selling.

The following are examples of the material risks to be considered:

1. Risks associated with Securities Trading:

a. **Stocks (Equities):** Stocks are type of security that gives stockholders a share of ownership in a company. Investing in stocks exposes the investor to market fluctuations which often results in a loss of money. The price of a stock is affected by factors inside the company or by events the company has no control over such as political or market events.

b. **Offshore Mutual Funds:** A mutual fund is a company that pools money from many investors and invests the money in securities like stocks, bonds, and fixed income. With mutual funds, you may lose some or all of the money you invest because the securities held by the mutual fund may go down in value. Mutual funds are only traded once per day so carry, in addition to the risks exposed to the mutual fund's underlying investments, liquidity risk in volatile market conditions. It is important to review a mutual fund's prospectus carefully to understand how the fund is designed and what types of assets may be held.

c. **Exchange Traded Funds (ETFs):** ETFs are not mutual funds but do share some features of mutual funds like the pooling of investor's money together to make investments in stocks, bonds, or other assets. They share the trading aspect of a stock by trading in market transactions throughout the day. Thus, ETFs share both the liquidity risk of mutual funds with the market fluctuation risks of stocks. Like a mutual fund, it is important to review a mutual fund's prospectus carefully to understand how the fund is designed and what types of assets may be held.

d. **Fixed Income (Bonds):** A bond is a debt security that companies, governments, or municipalities issue to raise money. Purchasing a bond is essentially loaning money to the bond issuer. Different issuers carry different risks depending on credit worthiness. US Government bonds, for example, are seen as lower risk than a company-issued bond as they carry the "full faith and credit of the U.S. government". Bonds holders are exposed to the following risks:

   i. **Credit risk -** the issuer may be unable to make interest or principal payments.
   ii. **Interest rate risk** - interest rate movements intrinsically affect the market price of bonds.
   iii. **Inflation risk** – inflation reduces purchasing power which is a risk for investors receiving interest.
   iv. **Call risk** – the possibility that a bond issuer retires a bond prior to its maturity date (likely in a declining interest rate environment).
   v. **Liquidity risk** – the risk that investors won't find a market for the bond when trying to buy or sell.

2. Risks associated with Derivatives Trading:

a. **Equity and Index Options:** Options are contracts giving the owner the right to buy or sell an underlying asset, at affixed price, on or before a specified future date. Options are derivatives as they derive their value from their underlying assets which can be things like stocks, exchange traded funds, indexes, fixed income products, foreign currencies, or commodities. For additional information on the risks associated with trading options, please read Chapter X of "Characteristics and Risks of Standardized Options" located at http://www.optionsclearing.com/about/publications/character-risks.jsp on the Options Clearing Corporation's website. Additional risks are detailed through https://www.schwab.com.sg/public/file/P-10782834/CSF_risks_futures_options.pdf. Risks with options trading vary greatly and may involve the following:

Market Risk – Extreme market volatility near an expiration date may cause prices changes that result in the option expiring worthless.

Underlying Asset Risk – any risks that affect the underlying asset will also indirectly impact the value of the option.

b. **Futures Contracts:** Futures contracts are an agreement to buy or sell a specific quantity of a commodity or financial instrument at a specified price on a particular date in the future. Like Options, futures contacts can involve extreme market volatility and underlying asset risk. More details can be found by visiting https://www.schwab.com.sg/public/file/P-10782834/CSF_risks_futures_options.pdf.

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REG98462SG-02 03