h. Forward transactions in securities on the stock exchange (option and forward contracts)

The high profit opportunities of option and forward transactions are faced by particularly high risks of loss. As your investment company, we consider it our task to also inform you about the related risks before you conclude any option or forward contracts.

Purchase of options

This means the purchase (opening = purchase for opening, long position) of calls (call options) or puts (put options) by means of which you acquire the claim for delivery or acceptance of the underlying asset and/or, should this be excluded, like with index options, the claim for payment of a monetary amount that is calculated based on the positive difference between the price taken as a basis for the acquisition of the option right and the market price upon exercise. With options of the American type, this right can be exercised during the entire agreed term; with options of the European type, it can be exercised at the end of the agreed term. You pay the option price for the grant of the option right (option writer premium); if the price changes contrary to your expectations about the purchase of the option, the value of your option right may decline and may even become completely worthless by the end of the agreed term. Your risk of loss is therefore the price you paid for the option right.

Sale of option contracts and purchase and/or sale of unconditional futures contracts

Sale of calls

This means the sale (opening = sale for opening, short position) of a call (call option), where you undertake to deliver the underlying asset at a fixed price at any time during (American-type call options) or at the end of the agreed term (European-type call options). You receive the option price for the assumption of this obligation. If the prices increase, you must accept the risk of delivering the underlying asset at the agreed price even if the market price is significantly higher than that price. Your risk of loss, which cannot be determined in advance and is generally unlimited, is that difference. If you do not own the underlying assets (**uncovered short position**), you will need to purchase them at the cash market at the time of delivery (stock-up transaction), and, in this case, your **risk of loss cannot be determined in advance**. If you do own the underlying assets, you are protected from stock-up losses and also able to deliver promptly. Since such assets must be kept blocked until the expiration date of your option transaction, however, you will not be able to dispose of them during that time, which means you cannot sell them to protect yourself against falling prices.

Sale of puts

This means the sale (opening = sale for opening, short position) of a put (put position), where you undertake to accept the underlying asset at a fixed price at any time during (American-type put options) or at the end of the agreed term (European-type put options). You receive the option price for the assumption of this obligation. If the prices fall, you must accept the risk of accepting the underlying asset at the agreed price even if the market price is significantly lower than that price. That difference also constitutes your **general risk of loss that cannot be determined in advance, which results from the exercise price minus the option writer premium**. An immediate sale of the assets will be possible only at a loss. However, if you do not consider the immediate sale of the assets and wish to keep them, you will need to take the expenses of the required financial means into account.

Purchase and/or sale of unconditional futures contracts

This means the purchase and/or sale at a specified time, where you accept the obligation to accept and/or deliver the underlying asset at a fixed price at the end of the agreed term. If the prices rise, you must accept the risk of delivering the underlying asset at the agreed price even if the market price is significantly higher than that price. If the prices fall, you must accept the risk of accepting the underlying asset at the agreed price even if the market price is significantly lower than that price. Such difference is your risk of loss. In the case of an obligation to purchase, you must have all the necessary cash available at maturity. If you do not own the underlying assets (**uncovered short position**), you will need to purchase them at the cash market at the time of delivery (stock-up transaction), and, in this case, your **risk of loss cannot be determined in advance**. If you do own the underlying assets, you are protected from stock-up losses and also able to deliver promptly.

Transactions with settlement of differences

If the delivery or acceptance of the underlying asset is not possible in a forward transaction (e.g. with index options or index futures), you are obliged, if your market expectations have not been met, to pay a cash settlement based on the difference between the underlying price at the time of conclusion of the option or forward contract and the market price upon exercise or maturity. This constitutes your **risk of loss that cannot be determined in advance and is generally unlimited**; in this case, you must always take the liquidity to cover this transaction into account.

Provision of collaterals (margins)

For uncovered sales of options (opening = sale for opening, uncovered short position) and/or purchase or sale at a specified date (future transactions), the provision of collaterals in the form of so-called margins is required. You are obliged to provide such collaterals both upon opening and where required (price developments contrary to your expectations) during the entire term of the option and/or forward contract. Should you not be able to provide additional collaterals required, we are obliged, unfortunately, to close open positions immediately and use any already provided collaterals to cover the transaction in accordance with item 5(1) of the “Special conditions for stock market and over-the-counter option and forward transactions”.

Closing positions

When trading in American-type options and forward contracts, you can liquidate your position even before the maturity date (closing).

However, do not rely on this option always being available. It always very strongly depends on the market conditions and, under difficult market conditions, the conclusion of transactions might only be possible at an unfavourable market price, which may lead to further losses.

Other risks

Options include both risks and obligations - forward contracts excluding obligations - with a short term and defined maturity and/or delivery dates. This and the speed of these types of transactions result in the following additional risks in particular:

- Options that are not exercised in due time will expire and become worthless.
- If any required additional collaterals are not provided in due time, we will close your position and exploit the collaterals provided up to that point, without prejudice to your obligation to settle any outstanding balances.
- With option writer positions (short position), we will take the measures required for you without informing you in advance in case of allocation. Securities allocated based on the exercise of puts will be sold by us if the cover is not sufficient.
- Should you enter into forward transactions in foreign currency, an unfavourable development at the currency market can increase your risk of loss.