

RISK WARNING NOTICE—SPREAD BETTING

interactive markets (“we” or “us”)

Risk Warning Notice – Spread Betting

This notice (“Risk Warning Notice”) is provided to you in compliance with the rules of the Financial Services Authority (“FSA”).

This Risk Warning Notice cannot and does not disclose all the risks and other significant aspects of spread betting. Spread betting is very different to fixed odds betting. You should not engage in spread betting unless you understand the nature of spread betting, how it works, how you make a profit or a loss and the extent of your exposure to risk and loss. Note in particular that your losses can be unlimited and no deposit or other amount you have paid (such as Initial Margin (we also call this Margin) or Variation Margin) will limit your losses. You should be satisfied that spread betting is suitable for you in the light of your circumstances and financial position.

Although spread betting can be utilised for the management of investment risk, spread betting is unsuitable for many investors.

If you are in any doubt seek professional advice.

General

When you engage in spread betting you are placing a bet in relation to movements of prices set by interactive markets. Our prices relate to prices of the underlying. Our Execution Policy gives further details in relation to our prices. We can change our prices at any time, in particular having regard to changes in the underlying to which our prices relate.

Whether you make a profit or a loss depends on how our price has moved between when you opened your bet and when you closed your bet. Our terms and conditions clarify how you make a profit or a loss.

Your spread bets with us will be subject to our terms and conditions. It is in your own best interests to read and understand them before you engage in spread betting with us.

Spread betting carries a high degree of risk. The “gearing” or “leverage” available in spread betting (i.e. the funds we require at the outset compared to the size of bet you can place) means that a small deposit (we call this Initial Margin or Margin) can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the size of any loss or profit; this can work against you as well as for you.

Spread bets are subject to payment of Variation Margin. If the market moves against you, you may be called upon to pay substantial additional Variation Margin at short notice to maintain your Open positions. If you fail to do so within the time required, your Open positions may be closed at a loss and you will be responsible for the all losses.

Your losses may be unlimited. You may lose all amounts you deposit with us such as Initial Margin (we also call this Margin) or Variation Margin. You have to pay us all losses you sustain as well as all other amounts payable under our terms and conditions such as interest and costs. If you decide to engage in spread betting, you must accept this degree of risk.

No credit is extended to you. Neither a variation margin credit allocation nor an initial margin credit allocation constitute a credit facility and neither of them will limit your losses or liability. The amount you are prepared to risk should include any variation margin credit allocation and any initial margin credit allocation.

Spread bets can only be settled in cash.

As mentioned above, our prices relate to prices of the underlying; however, you do not acquire the underlying nor any rights or delivery obligations in relation to it.

Spread bets are not traded on or under the rules of a recognised or designated investment exchange. Consequently, engaging in spread betting may expose you to substantially greater risks than investments which are so traded.

Spread bets are legally enforceable. This means that, for example, we can take legal action to recover money you owe us.

The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts may be affected by fluctuations in foreign exchange rates.

Markets

You can only engage in spread betting on the markets we make available; we can change those markets.

Collateral

If you deposit collateral with us we will agree with you in writing how that collateral will be dealt with.

Charges

Our terms and conditions set out all charges you have to pay. When amounts are charged as a percentage (for example, Initial Margin) it will normally be as a percentage of the total contract value (eg stake size multiplied by current price). Note also that charges may take the form of an additional spread.

Volatility

The markets we offer (and our prices) are derived from related underlyings. We have no control over movements in the underlyings; movements in the underlyings may be volatile and unpredictable. Those movements will affect our prices, whether or not you can open and close a bet and the price at which you can do so.

Under certain trading conditions it may be difficult or impossible to close an open position. This may occur, for example, if the price of the underlying rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted.

Orders

You can use orders to limit your losses, but the only type of order that is guaranteed to limit your loss to an agreed execution price is a guaranteed stop loss order. For all other orders, the price at which they may be executed is not guaranteed and so the extent to which they may limit your loss is not guaranteed; for example, movements in the underlying may make it impossible to execute your order at the agreed execution price.

Please also note that for all orders (including guaranteed stop loss orders) you may sustain the loss (which your order is intended to limit) in a short period of time.

Our terms and conditions explain how orders operate; it is in your own best interest to make sure you understand how orders operate before you place an order.

Compensation

We are covered by the Financial Services Compensation Scheme. If you are an eligible claimant, you may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the bet concerned, the circumstances of the claim and the rules of the scheme. In general, eligible claimants are covered for 100% of the first £50,000. Further information about compensation arrangements is available from the Financial Services Compensation Scheme.

If there is anything you do not understand, please contact our Customer Services Team on +44 (0)20 7680 3606.

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