

## RONIN EUROPE LIMITED

Authorised as Cypriot Investment Firm Regulated by the  
Cyprus Securities and Exchange Commission License Number: 081/07



### RISK DISCLOSURE POLICY BY RONIN EUROPE LIMITED (“we and “us”)

#### 1. Risk Factors Relating to Russia

Prospective investors should carefully consider the following factors relating to investment risks. As a result of these factors, as well as other risks inherent in any investment, an investment in Russian securities is not appropriate for all investors and there can be no assurance that the investor will meet its investment objectives or that investors will receive a return of their capital.

#### 2. General Risks

Although the general trend in the Russian Federation and other states which had been part of the former Soviet Union over the past ten years has been towards more open markets and the promotion of private business initiatives, no assurance can be given that the Russian government will continue to pursue such policies or that such policies may not be altered significantly, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting economic, political or social life..

#### 3. Economic Risks

Risk of financial loss on the part of the Client depending on economic changes in Russia. The forming economic system of the Russian Federation is not an effective mechanism with debugged and stable functioning elements. The lack of competitive environment and high level of monopolization in several economic sectors in Russian economy, weak state regulation of economy and voluntarism of economic authorities, absence of developed market and economic infrastructure constrain business development in Russia substantially. Comparatively low level of domestic savings, limited convertibility of national currency, deficit of state budget and high level of state debt determine instability of total economic situation and its inclination towards rapid and radical changes. Accordingly, any participant of process when the Client invests into Financial instruments, may turn to be in the situation when under economic reasons it can not fulfill its obligations depending on stock circulation and stock issuing service or other obligations that may influence on the Client rights.

#### 4. Foreign Currency and Exchange Rate Risks

Investments in Russian securities are in companies whose functional currency is the Ruble and/or in Ruble-denominated securities of Russian companies. There is currently no reliable and cost efficient method of hedging Ruble risk and we do not intend to hedge such risk. Consequently, currency exchange rate fluctuations, devaluation of the Ruble and exchange control regulations may adversely affect the performance of such portfolio companies and the return realised on the investor’s investments.

In the case of transactions in foreign currency, the return and performance of an investment depends not only on the local yield of the security in the foreign market, but

also heavily on the exchange rate development of the respective foreign currency relative to the currency of the investor (e.g. Euro). This means that exchange rate fluctuations may increase or decrease the return and value of the investment.

## **5. Russian Legal and Tax System.**

The Russian legal and tax system is less predictable than most Western legal systems. Currently, the tax rules and regulations prevailing in Russia are, as a general matter, either new or under varying stages of review and revision, and there is considerable uncertainty as to whether new tax laws will be enacted and, if enacted, the scope and content of such laws. Reliance on oral administrative guidance from regulators and procedural inefficiencies hinder legal remedies in many areas, including bankruptcy and the enforcement of creditors' rights.

There can be no assurance that current taxes will not be increased or that additional sources of revenue or income, or other activities, will not be subject to new taxes, charges or similar fees in the future. Any such increase in taxes, charges or fees payable by the Russian companies invested in, or by us, may reduce the returns for investors. In addition, changes to tax treaties (or their interpretation) between the Russian Federation and countries through which we conduct our business, or in which we have investment subsidiaries, may have significant adverse effects on the investor's ability to efficiently realise income or capital gains. Consequently, it is possible that the investor may face an unfavourable tax treatment in Russia resulting in an increase in the taxes payable on investments in Russian securities. Any such increase in taxes could reduce investment returns to shareholders.

## **6. Securities Market and Share Registration Risks**

The Russian securities market is in the early stages of development and is regulated by several different authorities (the Federal Service for the Financial Markets of Russia ("FSFMR"), the Ministry of Finance, the Central Bank and the Ministry of Antimonopoly Policy and Support of Entrepreneurial Activity). The regulations of these authorities are not always coordinated and may be contradictory. Governmental supervision of the securities markets is considerably less well developed than in many free market economies, and in some cases, is effectively non-existent. As a result, the risks of fraudulent transactions are higher than those in more highly regulated markets. No assurance can be given that legislation addressing such risks will be adopted or, if adopted, will be effectively implemented or enforced.

Investing in Russian securities will be subject to the significant risks associated with the early stage of development and relatively small size of the securities markets. This may give rise to a credit risk in relation to the counterparty. In general there may be an increased risk of defaults and delays in settlement compared to the markets in more developed economies.

To the extent that secondary markets for securities of Russian companies exist, a significant portion of trading is done over-the-counter rather than on stock exchanges. As a result, Russian-quoted securities are relatively illiquid and difficult to value. Published prices for securities are generally averages of indicated bid/ask quotes by dealers and do not reflect actual trades. The limited liquidity of the market for the majority of investments made by investors may be compounded by factors such as inadequate information and insufficient regulation. In addition, no established secondary markets may exist for some of the securities in which the investor will invest. Consequently, reduced secondary market liquidity may make it more difficult for the investor to obtain accurate quotations for

purposes of valuing its portfolio and calculating its net asset value. Reduced secondary market liquidity may also have an adverse effect on market price and the investor's ability to dispose of particular securities necessary to meet its liquidity requirements or in response to specific economic or political events. Further, such secondary markets are susceptible to being influenced by large transactions. Investors should be aware that the price of securities of Russian companies held by them may go down as well as up and that prospective investors may not realise their initial investment in the securities.

If you deposit collateral as security with us for transactions you enter, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral, depending on whether you are trading on a recognised or designated investment exchange, with the rules of that exchange (and any associated clearing house) applying, or trading off-exchange. Collateral may lose its identity as your property once dealings on your behalf are undertaken, particularly where you transfer the title to such collateral and 'right to use' provisions apply. Even if your dealings should ultimately prove profitable, you may not get back the same assets which you deposited, and may have to accept payment in cash.

Ownership of equity securities of Russian companies is determined by entries in the share register of each company and is evidenced by extracts from the share register. Under Russian law, a transferee of shares has no proprietary rights with respect to the equities until its name appears on the share register of the issuer. Currently, there is no central registration system for ownership of shares in Russia. Share registration is administered by companies themselves or by specialised registrars located throughout Russia. Regulations have been issued by the Federal Commission on the Securities Markets ("FCSM") regarding the licensing conditions for such registrars and the procedures to be followed by them in performing their functions. In practice, however, these regulations have not been strictly enforced, and registrars generally have relatively low levels of capitalisation and inadequate insurance coverage. Any transfer of shares is accomplished through the registration of the transfer in the share register. In order to be recognised as the registered owner of a company's shares, the purchaser or his representative must physically travel to the company's registrar and open an account with the registrar. Any foreign person or company acquiring shares in a Russian joint stock company must notify the FCSM of such acquisition on the date of such acquisition as prescribed by Russian securities legislation.

Although we will take steps to minimise these risks, including identifying custodians which meet specified standards, conducting periodic inspections of share registers and considering the reliability of registrars when selecting shares to be purchased, there can be no assurance that we will not lose our registration of equity securities through third party fraud, negligence or oversight or that the value of such securities will not be materially adversely affected.

#### **7. Risk of failure to achieve investment objectives**

Risk of losses depending on the Client failed to achieve its investment objectives

There is no any guarantee that capital maintenance and provision the Client is aimed for will be achieved. The Client can lose a part or total capital invested in certain Financial instruments. Due to investors are ready to bear these additional risks they have high income in the Russian stock exchange.

The Client is fully aware of risks herein; he makes independently a choice of a type of Application on transaction with Financial instruments and its characteristics that are the

most suitable to his objectives and tasks of investments and bears sole responsibility for his choice.

#### **8. Exchange Controls and Repatriation Risks Relating to Russian Securities**

Russian foreign investment legislation currently guarantees the right of foreign investors to transfer abroad income received on investments (such as profits, dividends and interest payments), subject to adherence to currency and banking regulations regarding the conversion and transfers of funds, and subject to settlement of all applicable taxes and duties. Although current practice is to recognise the right to repatriation of capital, no assurance may be given that this will continue to be the case. Furthermore, there can be no assurance that future restrictions will not be imposed on converting Ruble earnings into hard currency or on the repatriation of profits. Such restrictions could have a material adverse effect on the economic value of an investment held by the investor.

Foreign investors use special Ruble accounts to purchase Russian equity securities denominated in Rubles and receive Ruble proceeds from such investments, and may convert Rubles in such accounts into foreign currency and repatriate the same, subject to payment of applicable taxes and duties. With limited exceptions, any proceeds from a sale of shares to Russian residents must be in Rubles and deposited into Ruble accounts. Russian tax legislation currently requires a foreign investor to register with the tax authorities prior to opening such a Ruble investment account and to satisfy certain administrative formalities related to establishing that all applicable taxes and duties have been paid before repatriating such funds.

#### **9. Unsecured transactions related risk**

In a result of conclusion of unsecured transactions the above-stated risks are increased owing to that the amount of borrowed funds (financial resources and/or securities) exceeds own funds of the Client and at the unfavorable situation for the Client of market prices' change may become equal or even exceed the amount of funds used for payment of the Margin rate that results is losses of a part or all funds (assets) of the Client. The following additional risks may occur making Unsecured transactions by the Client:

Risk of non-fulfillment or partial fulfillment of the Instruction on Unsecured transaction at the Bank's discretion

By concluding Unsecured transactions the Client bears the risk of price escalation on securities transferred to the Client. The Client is obliged to return the securities irrespective of their value. In this case the current market value of the securities may considerably exceed their value of first sale.

By concluding Unsecured transactions the Client bears the risk on resources purchased on his own funds as well as on resources with securing obligations of the Client against the Bank. Thus the amount of resources to be subject to risk of unfavorable change of price is higher than the amount of usual trade. Accordingly, losses can be heavier in comparison with the trade using only Client's own funds.

The Client undertakes to maintain a sufficient level of his obligations against the Bank that in certain conditions may involve a necessity of conclusion of purchase-sale transactions irrespective of current market prices and therefore occurrence of risks of income loss, risk of investing resources loss and risk of losses exceeding the investing sum.

The Position of the Client can be liquidated if changes of prices to maintain the Margin rate are unfavorable for the Client in cases stipulated by the "Regulations on services in the

securities' market" that may result in occurrence of risks of income loss, risk of investing resources loss and risk of losses exceeding the investing sum.

## 10. Futures and options transactions-related risk

The risk is depended on possible loss during transactions with instruments of futures and options market (futures and options).

While transacting on futures and options market, the Client should take into consideration the following:

- the Settling and Clearing House of Trade Systems makes daily calculation of variation margin according to quoted prices settled as a result of the trade. In this connection, the Client can lose all of its assets deposited in the form of security deposit during relatively short period. On the other side, to support the Client's position, it may requires the Client to bring additional assets to cover substantial loss on variation margin in short time. If the Client can not bring these assets at set time, the Client's position may be forcibly closed at a loss, and the Client will be reliable for any shortage in assets, it made. In some market circumstances, it becomes difficult or impossible to cover the Client's open position. It may happen, for example, when in case of rapid price development, the trade will be stopped or limited.

Instructions directed to limit the Client's loss are not obligatory limit the Client's loss until supposed level, because it may be impossible to fulfill the instructions on agreed price in existing market situation.

Hereby, the Bank notifies the Client in advance, that in some cases to minimize the risk of default on obligations by participants of exchange trade and their clients:

- Trade System has the right to forcibly close positions of participants of and their Clients, to stop or limit the trade;
- The Bank has the right to forcibly close positions of the Client and its partners;
- The Bank has the right to give instructions to Trade System on coercive closing of positions of its Clients.

At that, the Client may get less profit or suffer losses. In this case, the Bank will not offset profit loss or losses to the Client.

Hereby, the Bank pays attention to the Client, that quotations on futures and options market can considerably change during the day time, as well as from one trade day to another.

Due to that, all disputable questions appeared during the trade on futures and options contracts must be settled immediately

## 11. Banking and Financing Risks

The Russian banking and other financial systems are not well developed but it is rapidly progressing.. The Russian banking system has faced and may encounter in the future liquidity crises as well as other problems arising as a result of the under-capitalisation of the banking sector as a whole. Due in part to the fact that deposits at Russian banks are not insured, risks to investors include loss of money on deposit in, or being transferred via, or securities being held in custody with, affected banks which in addition to a loss of confidence in the Russian economy due to such crises, may lead to a general decline in share values in the banking sector or the economy as a whole.

## 12. Risks Relating to Inexperienced Management and Lack of Financial Information

Russian businesses have a limited operating history. Most Russian companies are characterised by a lack of (i) market-oriented experienced management, (ii) modern industrial technology and (iii) a sufficient capital base with which to develop and expand their operations. Business records are not necessarily as detailed or informative as those of businesses operating in established market economies. Moreover, Russian accounting, auditing and financial reporting standards and requirements are not as stringent, consistently applied or informative as Western standards. As a result, the availability, quality and reliability of corporate information and equity research (including official data) is likely to be lower than that which is used to evaluate investments in developed markets, with the attendant risk that pricing decisions may be less than optimal to the extent they are based upon inaccurate information.

The foregoing risks do not purport to be a complete explanation of all the risks involved in acquiring shares in Russian securities. Potential investors should read this entire document as well as the documents referred to herein before deciding to make an investment decision.

**Also, we have to consider that all the mentioned above has no purpose to pursue the Client to refuse transactions on futures and options market in Russian Federation, but aimed to help the Client to understand the risks of such a business to determine its acceptability, to estimate materially all its financial purposes and abilities, and reliably come to a decision of choosing its investment strategy.**