

marketindex Risk Warnings

Trades carried out through marketindex are contracts for differences (CFDs) which are some of the riskiest forms of investments available in the financial markets. These products are leveraged and carry a high degree of risk, it is possible to lose your entire investment (i.e. your total account balance). These products are not suitable for all investors, you should therefore ensure you fully understand the risks involved and seek independent advice where necessary before deciding to Trade on marketindex.

Capitalised terms used but not defined below have the meaning given in the 'Terms and Conditions' for marketindex.

Introduction to Trades on marketindex

Any Trade carried out on marketindex is a type of investment, known as a contract for difference, under which you, the Customer, notionally buys or sells an underlying Reference Item (e.g. index, commodity, currency, bond) and thereby gains an economic exposure to the performance of this Reference Item without actually acquiring and/or disposing of the Reference Item. You will not purchase (or sell) the underlying Reference Item.

The profit or loss which you make on any Trade depends primarily on changes in marketindex Prices and the spread between the applicable marketindex Offer Price and marketindex Bid Price (and there is also a financing charge payable on each open Position which may either be payable by you or by us, RBS plc, depending on the circumstances - this charge is explained in the Terms and Conditions).

As an example, if you enter into a Long Position in respect of a Reference Item, you will notionally buy marketindex units in the relevant Reference Item at the marketindex Offer Price. To close out that Position, you will notionally sell those units at the marketindex Bid Price prevailing at the time of the sale. When opening a Long Position, you are speculating on an upward movement in the marketindex Price of the Reference Item. Conversely, when opening a Short Position, you speculate on a fall in the marketindex Price.

The spread between bid and offer prices also means that when you open a Long Position, marketindex Prices would have to rise by an amount at least equal to the spread before you are able to earn a profit. This is because you notionally buy at the marketindex Offer Price but notionally sell at the marketindex Bid Price which at any given time will always be less than the current marketindex Offer Price. Likewise, if you open a Short Position, marketindex Prices would have to fall by an amount at least equal to the spread before you are able to earn a profit.

Risk that the Reference Item does not perform as you anticipated

If the Reference Item and therefore the marketindex Prices do not perform in the way you anticipate, you may sustain a substantial loss on your Trades. The size of any loss depends primarily on underlying market performance and cannot be determined in advance. You could lose your total account balance.

Price risk

It is important that you understand that the profit or loss you may make on marketindex depends on marketindex Prices and on the marketindex bid-offer spread and that these can differ from corresponding prices and spreads in the underlying Reference Markets. For example, the reference price for Trades relating to oil which we use to set the applicable marketindex Offer Price and marketindex Bid Price is a theoretical cash price derived from the Brent Crude Oil Future price traded on the Intercontinental Exchange (ICE) and this may differ from the current market price for oil.

The spread will vary depending on a number of factors including the underlying Reference Item, market conditions such as the liquidity of the underlying market and effect of market events and announcements. The greater the spread the more the marketindex Price will need to move for you to make a profit.

You should be aware that certain consequences in respect of your Trades may be triggered by a marketindex Price that would otherwise not have been triggered on the basis of other prices in the relevant market this may, therefore, affect your profit and losses. For example, trigger prices are relevant to Trades with features such as Limit Order, a Market-if-Touched Order, a Stop Loss Price or a Take Profit Price.

Volatility

The price of the underlying Reference Items can be volatile and unpredictable. This will have a direct impact on your losses and profit as the marketindex price is related to the underlying Reference Items. Different Reference Items will have different levels of volatility and therefore risk. The marketindex Prices could change frequently.

If there is a sudden shift in the underlying market then your order may be executed at a different marketindex Price than you were quoted, which could mean that you lose money. This sudden shift in price is known as 'gapping'. "Gapping" can be caused by different factors, including economic events and market announcements. It is possible for the underlying market to open at a price significantly different from the price at market close with no opportunity for you to close your trade in-between. The use of Price Bounds does not remove this risk as it may not be possible for the platform to execute the Order before the price moves.

Leverage

The opening of a Trade requires, as security on the relevant Trading Account, a specific amount to cover the risk (this is called the Margin Requirement). The Margin Requirement is a fraction of the applicable marketindex Price which means that you will be using leverage to trade. The Margin Requirement is calculated according to the applicable Leverage Factor - the higher the Leverage Factor, the lower the Margin Requirement and vice versa. Leverage can enable you to profit disproportionately from favourable price fluctuations, but also increases the risk of loss to the same extent in the event of unfavourable price movements.

marketindex allows Trading on a highly leveraged basis and even a small change in the relevant marketindex Prices can cause a loss of some or all of your investment.

Close-Out Level (Airbag)

marketindex enforces a mandatory automatic close out of all Open Positions on a specific Trading Account when the Net Balance (the account balance plus any Unrealised Profit less any Unrealised Loss) falls below 50% of the aggregate Margin Requirements relating to all Open Positions on that Trading Account (the Close-Out Level (Airbag)).

This automatic close-out protects you against unlimited losses. However, it may be the case that Unrealised Losses incurred on a single Position trigger the Airbag. This will result in the close-out of all open Positions on the relevant Trading Account, even those which are in profit at the time of the automatic close-out, and accordingly, you will lose the Unrealised Profit on any such Position.

Stop Loss and Trailing Stop Loss

marketindex enforces automatic close out of all Open Positions on a specific Trading Account if the market price suddenly moves in an unfavourable direction by a specified distance which was preset by you if the Stop Loss or Trailing Stop Loss feature was selected. This includes any open Positions which are in profit.

With a Trailing Stop Loss, if the marketindex Price moves in the unfavourable direction, the trigger price remains stationary and the distance between this trigger price and the marketindex Price becomes smaller. If the marketindex Price reverses itself again and moves back in a favourable direction so it exceeds the maximum stop distance plus the spread, the trigger price will start following it again.

Trailing Stop Losses, just like regular stop-loss orders, must be used with caution. If you use a small Stop Loss or Trailing Stop Loss distance, even a relatively slight drop in the marketindex Price would trigger the Stop Loss order which may impact your losses or profits. For example, if the Trailing Stop Loss level is set very close to the current market price, a small fluctuation in a typical market due to the normal ebb and flow of daily prices is likely to trigger the stop loss.

Risks in relation to Reference Items

marketindex offers Trading in relation to various underlying Reference Items. These Reference Items are substantially different from each other, for example in terms of the levels of volatility or liquidity in the Reference markets. There are specific risks for each Reference Item, including for instance the risk of market disruption, that can affect prices in the market and in turn marketindex Prices. These risks are capable of leading to losses for you. As a result, you should familiarise yourself with the relevant Reference Items and markets before entering into Trades. You should also note that the past performance of Reference Items is no indicator of their future performance.

Liquidity

The marketindex Price and our ability to quote and trade in a Reference Item may be adversely impacted if liquidity in the underlying market reduces. If there is a significant reduction or temporary or permanent stop in liquidity this may be deemed to be a Market Disruption Event. This may result in a loss of some or all of your account balance. See 'Risk of market disruptions and system failures' for further information on Market Disruption Events.

Foreign Exchange Risks

Where the currency in which a Trading Account is denominated is different to the currency of the Reference Item in relation to a Trade, then you will be exposed to changes in the exchange rates between such currencies. The exchange rate may be significantly different at the point when you close your trade compared to when you opened it.

In addition, if you open a sub-account in a currency other than Sterling you must convert the funds in that account back into Sterling before you can withdraw them. You will be exposed to exchange rate risk when you move money into and out of the Sub-Account.

Changes in exchange rates may have a negative impact on your profit and losses.

Risk of market disruptions and system failures

Reference Items may be subject to Market Disruption Events, such as (i) an unannounced early closure of a Reference Market, (ii) any event that disrupts or impairs the ability of participants to effect transactions in Reference Items, (iii) the suspension of trading on a Reference Market, (iv) the discontinuance or unavailability of the price source for a Reference Item, and (v) trading in a Reference Item is suspended after reaching certain limits specified by the relevant Reference Market, and which in RBS plc's commercially reasonable opinion, acting in good faith, materially affects the determination of marketindex Prices.

System Failure Events may arise from trading over the internet. System faults, system crashes, transmission faults, other hardware or software disruptions and internet connection disruptions may have the result that Orders cannot be transmitted or executed in a timely manner or at all. This can result in loss for you; for example where you attempt to close-out a Position but are unable to do so because, say, your internet connection goes down and in the meantime the value of the Position decreases (e.g. if it is a Long Position, the marketindex Price falls).

In the case of a Market Disruption Event or System Failure Event affecting marketindex, we will stop Trading on marketindex in respect of any affected underlying Reference Items. Trades entered into after the onset of such an event (but before Trading is stopped) including the triggering of Limit Orders, Market-if-Touched Orders, Stop Loss Prices and Take Profit Prices may be reversed as Invalid Trades and any subsequent trades affected by an Invalid Trade may also be reversed.

On a resumption of Trading following a stop in accordance with the paragraphs above, the marketindex Prices prevailing at the time of resumption will be used to determine whether any Limit Order, Market-if-Touched Order, Stop Loss Price or Take Profit Price in place before the start of the relevant Market Disruption Event or System Failure Event has been triggered, and the prevailing marketindex Price may significantly differ from the marketindex Price at the time of the stop.

All of these circumstances can lead to loss for you (or to a greater loss than you would have incurred had there been no Market Disruption Event or System Failure Event).

Non-availability of marketindex (other than for technical or market disruption reasons)

In addition to the technical failure and market disruption scenarios referred to above, marketindex does not allow you to open or close a Position (nor will Limit Orders, Market-if-Touched Orders, Stop Loss Prices or Take Profit Prices be triggered) if there is no current price data (or no orderly price data) available to us in respect of the relevant Reference Item. This will be the case where the relevant Reference Market is closed or inactive or during short periods at the beginning or end of the trading day for the Reference Market where there is no orderly price tick. This involves risk for you since you may be unable to close your positions. If, for example, you believe that market developments outside normal trading hours will impact marketindex Prices in a way that will adversely affect a Position you have on marketindex, you will not be able to Trade until marketindex opens for Trading in the relevant Reference Item.

Trading on marketindex may also be halted temporarily for essential maintenance work. This gives rise to the same risks described above in relation to market disruption and system failure.

Credit risk

The credit balance on a Trading Account as well as claims arising from Trades constitute our general, contractual and unsecured obligations that rank equally with each other and with all of our other unsecured and unsubordinated obligations. In the case of our insolvency, you may get back less than the value of your credit balance on the Trading Account and any outstanding claims against us arising from Trades. See the Terms and Conditions, and in particular the section relating to the Financial Services Compensation Scheme for more details.

Electronic communications

If you communicate with us via electronic communication there is risk that the communication may fail, be delayed or not reach the intended destination.

More information www.rbs.co.uk/marketindex

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