



HB Markets

A Plain English Guide to Your Dealings with HB Markets

HB Markets PLC

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HB Markets Plc, Registered No. 2693942, 131 Finsbury Pavement, London EC2A 1NT. Authorised & Regulated by The Financial Services Authority (Register No.155104).

Members of the London Stock Exchange, PLUS Markets and APCIMS.

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This is a plain English guide to your dealings with HB Markets plc.

Our mission is to help you fulfil your investment objectives and to make your investment experience as satisfying and straightforward as possible. It is our goal to do this by presenting appropriate investment opportunities and products and services to you, supported by an administration system that is efficient and easy to use.

We have produced this guide to assist you in operating your account with HB Markets.

You should also have a copy of our Terms of Business covering our legal relationship with you.

We hope this simple guide will assist you in understanding how the stock market works, and what you can expect in your dealings with us. Please do not hesitate to contact us directly with any queries, suggestions for improvement or, particularly, any concerns you may have. We will be pleased to hear from you.

Contact Details

HB Markets's Broker Customer Service Team is here to help with any query. Please contact them on 020 7382 8384 or by e-mail at hb@hbmarkets.com

HB Markets's website has a wealth of useful information – please check it out at www.hbmarkets.com

1. WHAT YOU NEED TO KNOW ABOUT US

Regulatory Status

HB Markets plc is a member of the London Stock Exchange, APCIMS and PLUS Markets. We are regulated by the Financial Services Authority (FSA) under registration number 155104, and authorised by them to provide a wide range of financial services. Full details of our authorisations, together with the names of all our authorised staff, can be found on the FSA website, (www.fsa.gov.uk), by using the above registration number.

Services

Established in 1992, and with our headquarters near Canary Wharf, London, we are a UK authorised and regulated stockbroker. We are categorised as a “Broadscope” broker, which means that we are able to offer a wide range of financial products and services including:

- Advisory share dealing
- Advisory CFDs
- Execution-only CFDs and Spreadbetting (www.hoodlessbrennanmarkets.com)
- ISAs and SIPPs
- Corporate Finance
- Pre-IPO Fund Raising
- Market Making

The philosophy and requirements of ‘Treating Customers Fairly’ are an integral part of our business philosophy and culture. In addition to which, we seek to meet the changing needs of our clients. One of the ways we do this is by conducting surveys of clients’ views. So if you have any comments, observations or suggestions, we would be delighted to hear from you.

Expertise

HB Markets specialises in dealing in, and advising on, the shares of small and emerging companies quoted on AIM and PLUS Markets. Our analysts, brokers and market makers research, advise and deal in these markets on a continuing basis, and as a result, we are able to offer our retail clients a wide range of investment opportunities in these markets that meet their needs.

Through our award winning online service you can also buy and sell all the shares listed on the London Stock Markets or quoted on AIM and PLUS Markets, and foreign companies which are traded on the London market. Please refer to our website www.hbmarkets.com for more information.

2. WHAT WE NEED TO KNOW ABOUT OUR CLIENTS

Our Retail Client Service

A clear understanding of your investment objectives and risk preferences is crucial to us and helps to avoid disappointment and misunderstandings. We go to great lengths to try to understand clients' priorities and requirements, and we welcome feedback to ensure that we are achieving these objectives. We do this in a number of ways, for example:

Retail Customer Information Form (RCIF):

This is the initial contact form on which clients who wish to open an account are requested to set out their basic details and investment objectives, thus enabling us to establish their account. By this, we mean the areas of the market in which you wish to invest, your average dealing size and frequency, and the proportion of your funds that you wish to invest in low, medium and high-risk investments.

Private Client Profile (PCP):

After registering with us, we will then telephone new clients to conduct a confidential review. We use this opportunity to obtain further information on your investment objectives and desired "risk profile."

This is very important because we define risk as follows:

- FTSE 100 Companies = Lower Risk;
- FTSE 250-350 Companies = Medium Risk;
- FTSE Small Cap Companies (including those on AIM and PLUS Markets) = High Risk;
- Unlisted companies = Very High Risk.

Balancing your portfolio:

Generally most people buy shares for the following reasons:

- They are looking for growth in their investment;
- They are looking for extra income; or
- They want the perks owning a particular share offers.

For some people it's just one reason to buy or it can be a combination or sometimes all three.

Mix and match building blocks

You can have many elements in building up a portfolio of shares including:

- Blue chips – solid large well known companies, but often limited growth potential, but good for income and perks.
- Tax efficient investing – using an ISA to minimise Capital Gains Tax and maximising growth but also income without tax.
- Long term pension investing – using a SIPP to access tax incentives.
- Growth shares – investing in smaller companies with large growth potential, but the downside is increased risk of loss if the companies don't succeed.
- Unquoted shares – getting involved in a business before it lists on the stock exchange – very high growth potential but also larger risk.

How and why you use these blocks forms the basic shape your investment portfolio will take – your risk make-up therefore dictates largely what you invest in.

What's your risk make-up?

We all have differing views on where our money should rest. The defining factor of this is our appetite for risk. Depending on how much risk you are happy to undertake can have a dramatic effect on the growth potential of your investments.

High growth potential

Most potential growth investment opportunities are true to the maxim that the earlier you get in the more you could realise. Yet, as with all opportunities 'caveat emptor' – buyer beware, is true.

Get in early

A classic example of the need to get in early to maximise a growth investment strategy was the 'Dot com' boom. In the late 1990's small high tech companies were signalled as the big business of the future and investors piled in sending the shares ever higher.

The problem with this was that these companies had not actually made any money yet – they were the shares equivalent of 'Tomorrow's World', the TV programme which was famous for showing things that never came to pass. However, this was fine if you had got in early, saw the impending disaster and took the profit!

Take Profits - Don't be shy and don't be greedy!

There is another old stock market saying; "You are never wrong to take a profit."

Balance through diversification

Investing in higher risk start-up companies such as those on AIM and PLUS Markets are naturally more volatile and investors understand this. To run a balanced portfolio you must be prepared to take profits and losses but also do your research and diversify your risk via buying different sectors of business.

Spot the racehorses and avoid the donkeys

Investing in higher risk companies can be a difficult place for investors. However, our view has always been that we want to open the door for you to growth investment opportunities

early on and let you have as fair a crack of the whip as the big boys do. Our website provides you with free access to our research on smaller cap companies.

We repeat the process of understanding your risk profile on an annual basis and send you a copy of this form to amend and return as necessary. However, given the importance of understanding your investment objectives, we ask that you notify us as soon as practicable if your circumstances or investment priorities or criteria change in any way.

Client Investment Objectives (CIO):

Client portfolios are liable to get out of balance from time to time. Therefore we have a policy of regularly assessing and clarifying whether clients' portfolios remain in line with their stated investment objectives. We do not recommend or advise clients to take on excessive risk and may contact you should your portfolio appear to be out of balance in this respect. All personal information which you supply to us is treated in accordance with relevant Data Protection Act principles.

3. ABOUT OUR DEALING SERVICES

HB Markets offers its clients the following dealing services:

Advisory Share Dealing

This is traditional stock broking and is an integral part of the service we provide to our retail clients. Here, the client's decision to trade may be based on advice or recommendations made by us, but ultimately it is the client who decides whether or not to buy or sell the securities in question.

Please note that we do not offer Discretionary or Investment Management services. Whilst we can inform clients of overall market developments and the structure of their portfolios, it is our clients' own responsibility to review the ongoing suitability of their investments. If you would like our views on or an update of your portfolio, please contact us when you consider it appropriate.

Access to online services

Our website has additional service benefits such as research information as well as allowing you to monitor your accounts held with HB Markets. Please contact your broker for more information.

Agency v Principal Dealing

Whenever we place orders in the market, we deal either as “Agent” or as “Principal”.

Dealing as Agent; we act on your behalf to buy or sell shares or other securities in the market. For Agency transactions, we charge a commission and a compliance administration fee, which is specified in the contract note that you receive after a transaction has been effected. The contract note will also record that we have dealt as Agent.

Dealing as Principal; means on the other hand that we buy a block of shares using our own funds and offer to sell them to clients from our own account. When we deal as Principal, we simply charge clients a compliance administration fee. No commission is charged, as any profit (or loss) we make is already reflected in the selling price. We always state when we are dealing as Principal and we disclose the price at which we have acquired the shares (unless we are acting as a market maker in the stock) and this will also be included on your contract note.

In either instance, however, we are under a regulatory obligation to obtain the best possible price for our client, which is commonly referred to as “best execution”.

It should be noted that most purchases, whether Agency or Principal, are subject to Government Stamp Duty and may additionally be liable for other externally applied charges such as the PTM (Panel for Takeovers and Mergers) levy.

Commissions and Charges

Our commissions and charges are set out in our published charges sheet, a copy of which is provided with our Terms of Business. A full list of our charges is also published on our website at the following location:

<http://www.hbmarkets.com/products-services/advisory/charges/>

What it means for you when we are dealing as Principal

Due to our strength and expertise on AIM and in PLUS Markets, we are frequently presented with and identify companies that we consider to offer interesting investment opportunities for our clients. Provided that these companies meet our investment criteria, we will then endeavour to buy blocks of stock for resale to those clients who have expressed an interest in the higher risk sector and for whom the particular shares meet the clients' suitability criteria.

How does “dealing as Principal” work?

Before we buy any shares as “Principal”, the company concerned must satisfy our investment criteria set out below. The final decision to buy any stock as Principal rests with HB Markets's Principal Committee, but in summary, our analysts must initially form a view on the information available to them that the following criteria are met:

Investment Criteria

- The working capital of the company, including any placing proceeds, should be sufficient to meet its operating needs or capital requirements for at least 6 months.
- The company is likely to maintain its market listing or quote, and there are no indications that it is likely to be suspended.
- The management appears capable of achieving its business plan.
- There is sufficient publicly available information from which to arrive at a sensible assessment of the company and its prospects.
- The company's shares are judged to offer a sensible balance between risk and return, having regard to the risk preferences of HB Markets' clientele.

Principal Checklist

Before we recommend any share to our clients, we take care to ensure that it meets their investment criteria and objectives. In particular when dealing as “Principal”, our brokers are required to highlight a detailed series of risk factors with their clients, so that they fully understand what is being offered and what the risks are perceived to be. We call this the ‘Principal Checklist’ and ask that you pay close attention to the risk factors.

Research Notes

When recommending stocks as “Principal”, our brokers are provided with a research note from HB Markets analysts or from an FSA authorised firm, so that they can inform clients of the merits and risks which have been identified with respect to the share being recommended. Details of how we define our recommendations are set out in Section 5.

Please note that copies of our research notes can be found on our website at www.hbmarkets.com

Dealing

Whenever we act as Principal, we always deal for our clients within the current bid / offer spread. Additionally, if we are not a market maker in the particular stock, the price at which you deal will be the lower of the price quoted to you and the prevailing offer price at the time the trade is reported.

Timescale

We regard AIM and PLUS Markets stocks in general as high risk, but with potentially high rewards too. Typically we advise that investments in this category should be acquired with a view to hold for at least 12 to 18 months.

How do we manage conflicts of interest?

Because we deal as Principal and have Market Making and Corporate Finance departments, there will be occasions when the potential for conflicts of interest arise. At all times, however, our priority is to ensure that the interests of our clients are placed ahead of our own interests, and that our clients are treated fairly. We do this by ensuring that:

- Our conflicts of interest have been fully disclosed and properly managed.
- The potential risks of any investment are fully and clearly disclosed.
- We communicate with our clients clearly and unambiguously.
- We have appropriate policies, controls and procedures to manage these conflicts of interest. These include a policy that requires our staff to act independently of our own interests; procedures governing how our investment research is produced and issued; policies regarding how our analysts and brokers are rewarded and detailed compliance monitoring controls.

If you would like to know more about these issues, we would be happy to discuss them with you in more detail.

Nominees

For your convenience we operate a Nominee account with Crest. All clients have the choice to opt in or out of this service as they see fit. The benefit to the user is that their shareholdings are held securely in electronic format under a designated account structure, which prevents any one accessing stock which is held electronically. In addition, the business operation is much more streamlined than pooled accounts, which are used by some of our competitors. It also reduces the chances of loss arising from postal delays and therefore offers settlement of trades in a timely manner.

4. ABOUT CUSTOMER SERVICE AND COMMUNICATIONS WITH YOU

Customer service and communications are a high priority for us.

Complaints

If at any time you believe that your account is not being handled correctly, or you have concerns about the quality of service, or wish to make a complaint, we would like to know about it as soon as possible. Our complaints handling procedures are rigorous and set out in our Terms of Business.

To discuss any issue that concerns you, please contact our Customer Liaison Team on 020 7510 8582 or email complaints@hbmarkets.com.

Telephone Recording

We record telephone calls for your protection, to help resolve any misunderstandings and also to assist in our training programmes.

Contract Notes

Contract notes are issued within one business day of a transaction being effected. If you disagree with the contents of a contract note, please inform us immediately. We would also be grateful if you could inform us if you do not receive a contract note within 48 hours of

any transaction. Historic contract notes for all your transactions are accessible 24 hours a day via your secure online access to your accounts with us via our website, www.hbmarkets.com

Statements and Portfolio Valuations

These are posted quarterly to clients who opt for a paper statement. Clients who opt to have access to their account via our online site, have the benefit of being able to print any contract note and order statements to be delivered via email.

Important

Finally, it is also important to remember that stock markets can be volatile and past performance is not necessarily a guide to future performance. Additionally, the value of investments can go down as well as up, and that you may not get back the amount originally invested. It is important that you carefully consider your own personal financial circumstances before dealing in the stock market, and we recommend that you seek advice from an independent investment adviser if you are in any doubt at all.

5. ABOUT OUR RESEARCH NOTE CLASSIFICATIONS

HB Markets's analysts are required to ensure that the ratings in their research conform to the definitions set out below when publishing research notes in order to ensure consistency, clarity and fair treatment of customers.

Whilst we endeavour to ensure that all our research is clear, fair and not misleading, and reflects our opinions at the date of publication, our research should not be viewed as wholly objective since HB Markets plc may be acting as Market Makers or have taken positions as a principal in the stocks featured in the research notes.

Buy

A buy recommendation is applied to companies that have an established business that are profitable and growing. It may also be applied to a company that is trading and has revenues, but may not be profitable and the outlook is thought to be positive, either by recovery or growth.

Speculative Buy

This is applied to companies where the prospects for capital appreciation exist, but currently has very little or no revenues. The management will be trying to develop the company's assets e.g. mineral assets, biotechnology, or oil and gas exploration projects. Such companies are almost certain to require further capital and future fund raising should be expected.

Hold

The value of the company reflects its immediate prospects and stock holders should await developments.

Sell

We believe that the shares are overvalued or the company is at risk. Other factors might be the missing of key objectives such that performance might be impaired.

6. STOCK MARKET TERMINOLOGY AND EXPRESSIONS

Set out below are a number of terms and expressions that are commonly used in the market place, and which you are likely to come across when dealing with us. If at any time you are not entirely comfortable or clear about what it is being explained to you, we ask that you stop the conversation and ask that person to clarify precisely what is meant.

For a more comprehensive list of definitions and answers to commonly asked questions, please refer to the FAQ section at www.hbmarkets.com

AIM

The London Stock Exchange's market for emerging and smaller companies.

Best Execution

This is the basic requirement for brokers to carry out a deal on behalf of a client at the best available price in the market.

Best Offer

The lowest offer price for a specific tradable instrument (i.e. the lowest price any seller has declared that they are willing to accept for a specific share at a given time). Determined by the current quotes and orders in the trading system.

Bid Offer Spread

The difference between the bid and offer prices of a share.

Bid Price

The price at which a market participant is bidding to buy shares.

Buying-in

A mechanism whereby the London Stock Exchange (LSE) will buy back in the market, stock which remains undelivered after a period of time.

Contracts for Difference (CFDs)

A Contract For Difference is an agreement between the investor and a market maker to exchange at the closing of a contract the difference between the opening and closing price of an investment. CFDs allow you to invest a small sum, sometimes just 10% of the contract value and allow you to borrow or 'leverage' your cash into a larger investment. With a CFD you are not buying the underlying investment so your investment is really covering the contract price difference only and can be leveraged to increase potential returns. CFDs also allow you to sell if you think a share or market will drop which you cannot do with an equity purchase. CFDs are free of stamp duty but as you are leveraging your investment the profits can be greater but the risk of big losses is also greater. CFDs are liable for Capital Gains Tax.

Crest

An organisation responsible for the paperless registration, transfer and settlement of transferable securities.

ISA

This stands for "Individual Savings Account" and it is a tax efficient investment & savings product. An easy description is that it is like a sweet wrapper – you can have many different sweets, or investments, inside but the wrapper is the tax benefit.

Our ISA Accounts are Self Select which means you have the freedom to choose what to invest in. You can select to have an Online ISA or an Advisory broking account with a broker to help you invest.

Market Maker

A LSE member firm which is obliged to offer to buy and sell shares in which it is registered throughout the mandatory quote period.

Market Size

An orally indicated number of shares in which a Market Maker is willing to make a transaction at the 'Bid' and Offer' prices they are quoting. This is frequently not the same as NMS, and can change at any time in response to varying market conditions.

Nominee Account

An account in which the named holder holds the assets in it on behalf of another (the beneficiary). In the stock market, the most common use of nominee accounts is where execution only brokers act as nominees for their clients. The shares are registered in the name of the broker, but the client has beneficial ownership of them. The advantage of nominee accounts is that they make settlement quicker and more streamlined. In theory, dealing costs should be lower. There are some disadvantages: because the individual isn't the registered owner of the shares, he doesn't receive company reports and accounts direct, and can't take advantage of any shareholder perks, unless his broker provides a special forwarding service.

Normal Market Size (NMS)

The NMS indicates the liquidity of that security. For quote-driven securities, the NMS is the minimum quote size within which market makers are obliged to trade. This is set by the LSE.

Offer Price

The price at which a market participant is offering to sell shares.

PLUS Markets

This is a share-trading market operated by Plus Markets Group plc to enable PLUS Markets member firms to deal in the securities of unlisted and unquoted companies off-exchange. PLUS Markets is a Prescribed Market for the purposes of Section 118 of the Financial Services and Markets Act 2000 and is authorised and regulated by the Financial Services Authority. HB Markets is a registered market maker on PLUS Markets.

Screen Size

The number of shares each market maker visually indicates they are individually willing to make a transaction at the 'Bid' and 'Offer' prices they are quoting, and distributed to the market by the LSE.

SIPP

This stands for “Self Invested Personal Pension”. A SIPP is a pension wrapper that holds investments until you retire and start to draw a pension income. They are designed for people who want to manage their own fund by dealing with, and switching, their investments when they choose.

Spread Trading

More commonly known as ‘Spread Betting’ like CFDs this is a product that allows you to invest a small sum and benefit from leverage. This can cause profits to be magnified as you are borrowing money but also the downside is that potentially you can make large losses. Spread Trading differs from CFDs as it is a bet and currently avoids Capital Gains Tax and the betting tax is most often quoted in the trading cost of the bet so that you do have to pay this separately.

7. WHAT YOU NEED TO KNOW ABOUT THE PAYMENT PROCESS

Paying Your Bill

Please note that the EU Money Laundering Directive, UK Legislation and FSA Rules and Regulations are onerous. Consequently;

- We CANNOT accept cheques drawn from your business/company account, unless your business/company already has an account opened with us.
- We CANNOT accept post-dated cheques.
- We CANNOT accept traveller's cheques.
- We CANNOT accept cash.
- We CANNOT accept payment by credit card.
- We CANNOT accept cheques or other payments from individuals other than yourself (see below for banker's drafts/building society cheques).

Paying by cheque

1. Please make your cheque payable to HB Markets plc and remember to sign it.
2. Please write your client account number and your full name on the back of the cheque.
3. Post the cheque to HB Markets plc, 40 Marsh Wall, Docklands, London E14 9TP.

PLEASE NOTE: If any of the details from this checklist are missing or incorrect, the payment will be refused and returned to the sender.

Paying by a building society cashier's cheque or a banker's draft or Money Order

We CANNOT accept building society cheques/bankers drafts UNLESS they are endorsed in the following way and are drawn on an account in your name. The cashier must write on the back of the cheque the client account name on which the payment is drawn and include the account number on which the payment is drawn. The cashier must insert his/her full name on the back of the cheque, which MUST be dated and stamped by the cashier at the building society/bank issuing the payment.

Paying by Debit/Switch card

It is essential that you provide the following information: Card number, exact name on the card, Card validity date, Card expiry date, Issue number. CVC number (last 3 numbers of the security code on the reverse).

Paying by CHAPS/BACS/electronic telegraphic funds transfer

Please ensure that YOUR bank inform us of the following: The client name, client reference number and bank account number on which funds have been drawn. Please direct your bank to complete the subject line with the above details.

PLEASE NOTE: If the client name, HB Markets a/c number and bank account number are NOT provided, your payment will be rejected.

How HB Markets will pay you

Any funds which have been credited to a client's HB Markets account by a BACS/CHAPS transfer or by a debit/Switch card, can only be paid back out by the same method and to the same account number that was originally used.

8. USEFUL CONTACT DETAILS

HB Markets plc 40 Marsh Wall, Docklands, London E14 9TP

General Enquiries:

Tel: 020 7382 8300 email: hb@hbmarkets.com

Bristol Office:

Froomsgate House

Rupert Street

Bristol

BS1 2QJ

Tel: 0117 910 5500 email: bristoloffice@hbmarkets.com

Statements, Contract Notes, Dividend Handling:

Tel: 020 7382 8300 email: settlements@hbmarkets.com

Payments:

Tel: 020 7382 8300 email: creditcontrol@hbmarkets.com

Broker Customer Service:

Tel: 020 7382 8300 email: hb@hbmarkets.com

Complaints:

Tel: 020 7382 8300 email: complaints@hbmarkets.com

Website:

www.hbmarkets.com

External Regulatory Bodies

The Financial Services Authority:

Tel: 020 7066 1000 www.fsa.gov.uk

The Financial Ombudsman Service:

Tel: 0845 080 1800 www.financial-ombudsman.org.uk

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