**INFORMATION REGARDING CHARACTERISTICS AND RISKS IN RESPECT OF FINANCIAL INSTRUMENTS**

**[Date of decision 25 January 2022]**

***[This version is intended for retail clients*]**

**As a client, you must understand, among other things, the following:**

* **investments or other positions in financial instruments take place at your own risk and it is therefore important that you understand the characteristics and risks of the financial instruments before investing in them;**
* **you, as the client, must personally understand the investment firm's general terms and conditions for trading in financial instruments and, where applicable, information contained in any prospectus as well as other information regarding the relevant financial instrument, its characteristics, and its risks;**
* **when trading in financial instruments, it is important that you check all reporting in respect of your transactions and holdings, and give notice of any errors immediately;**
* **it is important to continually monitor changes in the value of holdings and positions in financial instruments;**
* **you, as the client, must personally initiate the measures which are necessary to reduce the risk of losses.**

1. **RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS**  
   1. **GENERAL INFORMATION REGARDING RISKS**  
      Investments in financial instruments are associated with financial risk, which is described in this information document. As a client, you are personally responsible for the risk in your investments and must therefore personally read and thus acquire knowledge about the general terms and conditions, information documents, prospectuses or suchlike, which apply to trading in such instruments and regarding the characteristics of the instruments and their risks. You can obtain this information from the investment firm you have retained. You must also continually monitor your investments in such instruments. This applies even if you obtained investment advice at the time of investment. If you manage your investments personally and if proven necessary, it is your responsibility to be prepared to take prompt action, for example by reviewing your investments and assessing whether there is a reason to sell instruments that are performing negatively.  
        
      Financial instruments are classified as either non-complex financial instruments (usually shares and investment funds, for example) and complex financial instruments (usually derivative instruments, for example). The classification illustrates, among other things, that the instruments are associated with different levels of risk and it may also be more difficult to understand the risks associated with complex financial instruments. When trading in financial instruments, it is also important to take into consideration the risk which may be entailed in trading with financial instruments on a trading venue other than a regulated market, where the requirements which are imposed are generally lower.  
        
      Financial instruments can provide returns in the form of dividends or interest. In addition, the market price of the instrument may increase or decrease in relation to the price when the investment was made. In the description below, the word "investment" also includes any short positions (negative exposures) which are taken in the instrument; compare, for example, the provisions regarding short selling in section 4 below. The total return is the sum of dividends or interest and price changes on the instrument.  
        
      Of course, the investor endeavours to attain a total return which is positive, i.e. that the investment provides a profit, preferably as high as possible. However, there is also a risk that the total return will be negative, i.e. that there will be a loss on the investment. The risk of loss varies depending on the instrument. Ordinarily, the possibility of making a profit on an investment in a financial instrument is tied to the risk of loss. Generally, the longer you hold the investment, the greater the potential for gain or risk of loss, but for some instruments there is a recommended holding period which may affect how long it is appropriate for you to hold the investment. In an investment context, the word risk is sometimes used as an expression for both the risk of loss and the possibility of making a profit. However, in the discussion below, the word "risk" is used solely to designate the risk of loss. There are various ways to invest which reduce the risk. Customarily, it is regarded as better not to invest in only one or a small number of financial instruments but, instead, to invest in a number of different financial instruments. These instruments should thus offer risk diversification and not aggregate risks which can be triggered simultaneously. Spreading the investments to foreign markets also normally reduces the risk in the total portfolio, even if there is a currency risk associated in trading with foreign financial instruments.
   2. **DIFFERENT TYPES OF RISK CONCEPTS, ETC.**  
      There are a great number of concepts associated with risk, as well as other factors you should take into consideration and weigh in connection with the risk assessment which you, as a client, should undertake before you invest in a financial instrument, as well as continuously during the course of the holding. The following is a short description of some of the most common risk concepts.  
        
      **Company-specific risk –** the risk that a specific company will perform worse than expected or will suffer an adverse event and the value of financial instruments which are related to the company can thereby decline.  
        
      **Industry-specific risk –** the risk that a particular industry will perform worse than expected or will suffer an adverse event and the value of financial instruments which are related to companies in the industry can thereby decline.  
        
      **Sustainability risk** - the risk that an environmental, social, or governance event or circumstance, if it were to occur, would have an actual or potential material adverse effect on the value of an investment. Examples of sustainability risk include the consequences of environmental degradation, (e.g. a ban requiring operations to be converted or wound up, reduced demand, difficulty in obtaining financing, or physical risk such as resource depletion and natural disasters), the consequences of violations of human rights, workers’ rights, and gender equality, as well as corruption and bribery, and the consequences of poor corporate governance. This means that environmental, social, or governance-related events arising, for example, from a company's own operations and those occurring independently of the operations of the company may pose a sustainability risk to the company.  
        
      **Leverage risk –** the structure of a derivative instrument which entails that there is a risk that changes in the price of the underlying asset will have a larger adverse impact on the price of the derivative instrument.  
        
      **Credit risk –** the risk that an issuer or a counterparty, for example, will be unable to make payment. The inability of an issuer or counterparty to pay may result in bankruptcy or company re-organisation with judicial composition (Sw. *offentligt ackord*) (reduction of the amount of claims). Banks, other credit institutions, and investment firms may, instead, be subject to resolution. This means that the state can assume control over the institution and its losses could be dealt with by writing down the holdings of its shareholders and creditors and/or, for creditors, converting their claims into shareholding (so-called debt write down or bail-in).  
        
      **Price risk –** the risk that the price of a financial instrument will decline.  
        
      **Legal risk –** the risk that applicable laws and rules are unclear or may be changed.  
        
      **Liquidity risk –** the risk that you cannot sell or buy a financial instrument at a specific desired time.  
        
      **Market risk –** the risk that the market as a whole, or certain parts where you as a client have your investment, e.g. the Swedish stock market, will decline.  
        
      **Price volatility risk –** the risk that significant fluctuations in the price of the financial instrument can have an adverse impact on the investment.  
        
      **Interest rate risk –** the risk that the financial instrument in which you invested declines in value due to changes in the market interest rate.  
        
      **Tax risk –** the risk that tax rules and/or tax rates are uncertain or may be changed.  
        
      **Currency risk –** the risk that a foreign currency to which a holding is related (for example fund units in a fund which invests in US securities quoted in USD) will be weakened.
2. **FINANCIAL INSTRUMENTS**  
   1. **FUNDS AND FUND UNITS**  
      A fund is a portfolio of different financial instruments, e.g. shares and bonds. The fund is owned jointly by all those who save in the fund - the unitholders - and is managed by a fund management company or an AIF manager. The unitholders in the fund obtain the number of units in the fund which corresponds to the percentage of invested capital in relation to the total capital of the fund. It is important for you as a client to find out what investment rules apply to a fund in which you wish to invest. This is set forth in the fund's full prospectus and Key Investor Information Document (KIID). Each and every fund management company and AIF manager who manages special funds is obligated to take the initiative to offer potential investors the KIID which relates to the fund. The KIID also shows the fund's risk/return profile, where the relationship between risk and potential return on the fund is stated in the form of a scale of 1 to 7, where 7 means the highest potential return but also the highest risk for you as an investor. See also section 1.2 above.  
        
      Different types of funds are governed by different regulatory frameworks:  
        
      **Securities funds** are those funds which meet the requirements of the so-called UCITS directive, including, among other things, in respect of investment provisions and risk diversification. Both Swedish and foreign securities funds (which have been authorised in their home country within the EEA) may, following notification to a competent authority, be sold and marketed without restriction in all EEA countries.  
        
      **Alternative investment funds (AIFs)** are funds that have less restrictive investment rules since the manager can invest in more types of assets and use different investment strategies, free of the requirements of the UCITS Directive regarding, for example, risk diversification. The person who manages an AIF is called an AIF manager and must comply with the rules set out in the AIFM Directive. If you intend to invest in an AIF, it is particularly important for you, as a client, to find out which investment rules the AIF will follow. This is set forth in the fund's full prospectus and KIID. Alternative investment funds may not be marketed and sold freely to retail customers outside Sweden.  
        
      **Swedish special funds** are a type of AIF. They comply, in part, with the requirements of the UCITS Directive regarding, among other things, investment rules and risk diversification, but have been granted authorisation to deviate from the rules of the UCITS Directive in one or more ways. If you intend to invest in a Swedish special fund, it is particularly important for you, as a client, to find out which investment rules the Swedish special fund will follow. This is set forth in the fund's full prospectus and KIID. Special funds may not be marketed or sold freely to retail clients outside of Sweden.  
        
      You can buy or redeem shares in different types of funds in different ways:  
        
      The units in a fund can be bought and redeemed, either through investment firms which distribute units in the fund or directly with the fund management company. Some funds are traded on a daily or monthly basis, while other funds may have pre-determined dates on which the fund is "open" for purchases and redemptions and thus regular trading is not always possible. A fund management company may, in certain exceptional cases, close or postpone trading in a fund’s units. This means that if you have placed an order to buy or redeem units, the order will not be executed until trading in the fund has resumed. In order to close a fund to trading, there must be "special circumstances" or "special reasons", such as the unsatisfactory functioning of a market that causes liquidity problems for a fund. A fund management company’s ability to close a fund to trading must be set out in the fund’s fund rules.  
        
      The present value of the units is calculated regularly by the fund management company and is based on the price performance of the financial instruments which are included in the fund. The capital which has been invested in a fund may either increase or decrease in value and thus it is not certain that you, as an investor, will get back the entire invested capital. For funds with a base currency other than SEK, there is also a currency risk in connection with trading fund units.  
        
      Trading in an **ETF (Exchange Traded Fund)** is different from that for a regular fund. Units in ETFs are traded on the stock exchange in the same way as shares. However, in some cases they can also be purchased and redeemed directly from the fund management company.  
        
      Different funds have different investment focuses. "Investment focus" means the type of financial instruments in which the fund invests. The following is a brief description of some of the most common types of investment focuses for funds. In addition to these, there are also funds that invest in specific sectors, markets, and regions.  
        
      **Equity funds** invest all or substantially all of their capital in shares or share-related financial instruments. The management of the fund is based on an analysis of expectations of future market performance. Investing in an equity fund, which has invested in a number of different shares, reduces the company-specific risk for the investor compared to the risk for the shareholder who invests directly in one or a few shares. Moreover, the unitholders do not personally need to select, buy, sell, or monitor the shares or carry out other management work in this respect.  
        
      **Fixed income funds** invest all or substantially all of their capital in bonds or interest-bearing instruments. The principle for fixed income funds is the same as for equity funds – investments are made in different interest-bearing instruments in order for the fund to have diversified risk, and the management of the fund takes place following the analysis of anticipated future interest rates.  
        
      In **mixed funds**, the capital can be invested in shares, fixed-income instruments, and other funds.  
        
      In **index funds**, the fund’s capital is not actively managed, but is instead invested in financial instruments that follow the composition of a specific index.  
        
      In a **fund-of-funds**, the capital is invested in other funds. A fund of funds can be seen as an alternative to personally choosing several different funds in which to invest. An investor can thus achieve the risk diversification that can be associated with a well-composed personal fund portfolio. There are funds of funds with different investment focuses and risk levels.  
        
      **Hedge funds** are AIFs with very free investment rules, which can allow the manager to invest in several types of assets and use virtually any investment strategy. To *hedge* means to protect. Even if hedging is intended to protect against unexpected changes in the market, a hedge fund can be a high risk fund, since hedge funds are often heavily leveraged. However, there are significant differences between various hedge funds and there are also low risk hedge funds. The idea behind hedge funds is that investors should be able to get returns whether markets go up or down. The investment focus may range from shares, currency and interest-bearing instruments to different arbitrage strategies (speculation in changes of, for example, interest rates and/or currencies). Hedge funds often use derivative instruments for the purpose of increasing or decreasing the risk in the fund. Short selling is also a common element. Read more about derivative instruments in section 2.13 and about short selling in section 4.  
        
      For more information regarding funds, see the Swedish Investment Funds Association's website, [www.fondbolagen.se](http://www.fondbolagen.se)
   2. **SHARES**   
      1. **Shares and limited companies**  
         Shares in a limited company entitle the owner to a percentage of the company's share capital. If the company is profitable, the company customarily pays dividends on the shares. Shares also confer voting rights at the general meeting, which is the highest decision-making body of the company. The more shares held by the owner, the greater the owner's percentage of the capital, dividends, and voting interests. Depending on the class of shares to which the shares belong, the voting rights may vary. Limited companies can be either private or public. Only public companies may allow the shares to be traded on a trading venue.
      2. **Share price**  
         The price of a share is affected primarily by supply and demand for the share in question, which in turn (at least in the long-term), is governed by the company's prospects. A share is valued primarily on the basis of the market’s analyses and assessments of the company's possibilities for future profits. Future external trends in terms of economic activity, technology, legislation, competition, and so forth, determine the demand for the company's products or services and are therefore of fundamental significance to the price performance of the company's shares.  
           
         The current interest rate situation also plays a significant role in pricing. If the market interest rates rise, interest-bearing financial instruments which are issued at the same time provide a better yield. Normally, the price of shares which are regularly traded, as well as the prices for pre-existing interest-bearing instruments, then declines. The reason is that the increased yield on newly issued interest-bearing instruments is relatively better than the returns on shares as well as on the already issued interest-bearing instruments. Moreover, share prices are adversely affected by an increase in the interest rate on the company's debt when the market interest rates go up, which reduces the scope for profit making in the company.  
           
         Other circumstances directly related to the company, such as changes in the company's management and organisation, production disruptions, and so forth, may also have an adverse impact on the company. In the worst case, a limited company can perform so poorly that it must be placed into bankruptcy. The share capital, i.e. the capital invested by the shareholders, is the first capital which is then used to pay the company's debts. This usually leads to the shares in the company becoming worthless.  
           
         The rates on certain major foreign regulated markets or trading venues can also have an impact on rates in Sweden since, among other things, a number of Swedish companies are also listed on foreign markets and price adjustment takes place between the markets. The price of shares of companies in the same industry sector are often affected by price changes for other companies in the same sector. This impact could also apply to companies in different countries.  
           
         Market participants have varying needs in respect of investing cash (liquid funds) or obtaining liquid funds. Moreover, they often have different opinions on how the price should perform. These circumstances, which also include how the company is valued, contribute to the existence of both buyers and sellers. On the other hand, if investors have a uniform opinion regarding the price performance, they will either want to buy - and then buying pressure will arise from the presence of multiple buyers - or they will want to sell, and thus there will be selling pressure due to multiple sellers. The price rises when there is buying pressure and drops when there is selling pressure.  
           
         Turnover of a share, i.e. how much of a specific share is bought and sold, in turn affects the share price. When there is high turnover, the difference – also known as the spread – between the price buyers are willing to pay (the bid price) and the price sellers are demanding (the ask price) is reduced. A share with high turnover, where large amounts can be turned over without a major impact on the price, have good liquidity and is therefore easy to buy or sell. Companies listed on the regulated markets often have higher liquidity. Over the course of a day or over longer periods, different shares can show different movement in their prices (volatility), i.e. increases and decreases, as well as the size of the changes in price.  
           
         The prices at which the shares are traded (transaction price), such as the highest/lowest/most recently paid prices during the day, as well as the final quoted bid/ask prices, as well as information regarding traded volume are published in, among other things, most major daily newspapers and on various websites which are prepared by markets, investment firms, and media companies. How current the quotation information is may vary depending on the way in which it is published.
      3. **Different classes of shares**  
         There can be different classes of shares in a company, usually class A and class B shares with different voting rights. Class A shares ordinarily confer one vote, while class B shares confer a limited voting right, most often one-tenth of a vote. The difference in voting power is a result, among other things, of the desire to protect the influence over the company of the founders or owners by giving them stronger voting rights in the event of owner diversification. New shares which are issued may then have a lower voting value than the original class A shares and be designated with B, C, D, and so forth.
      4. **Initial public offerings, privatisation, and buyouts**  
         An Initial Public Offering (IPO) means that shares of a company are listed for the first time on the stock market, i.e. taken up for trading on a regulated market or another trading venue. The general public is then offered the opportunity to subscribe for (buy) shares in the company. This usually involves an existing company which was not previously traded on a regulated market or other trading venue, and the owners have taken the decision to expand the circle of owners and facilitate trading in the company's shares.  
           
         The market introduction of a state-owned company is called privatisation.  
           
         As a rule, a buyout takes the form of one or more investors offering the shareholders of a company the opportunity to sell their shares on certain terms and conditions. If the buyer obtains 90% or more of the shares in the company being bought out, the buyer may demand compulsory purchase of remaining shares from the shareholders who did not accept the buyout offer. In conjunction with compulsory purchase following a takeover offer, the purchase price must be equal to the consideration offered in the buyout offer, unless special reasons justify otherwise.
      5. **Share issues**  
         A limited company that wishes to expand its operations often requires additional share capital. The company acquires this by issuing new shares through a *new share issue*. Usually, the old shareholders acquire subscription rights which grant priority to subscribe for shares in a new share issue. The number of shares which may be subscribed for is normally proportionate to the number of shares already held by the shareholder. The subscriber must pay a certain price (issue price) for the newly issued shares, which is usually lower than the market price. As soon as the subscription rights – which ordinarily have a certain market value – are detached from the shares, the price of the shares usually drops. At the same time, the number of shares increases for those shareholders who have subscribed. The shareholders who have not subscribed may sell their subscription rights on the market where the shares are traded during the subscription period, which ordinarily lasts for several weeks. After the subscription period, the subscription rights lapse and thereupon become unusable and worthless.  
           
         A limited company can also conduct a so-called private placement, which is executed like a new share issue but is directed to only a certain group of investors. Limited companies can also issue new shares in a so-called non-cash issue in order to acquire other companies, business operations, or assets in a form other than cash. Both private placements and non-cash issues result in dilution of the percentage of votes in the company and the company's share capital for existing shareholders, but the number of shares held and the market value of the invested capital is normally not affected.  
           
         If the assets or the cash reserves of a limited company have increased greatly in value, the company may transfer part of the value to its share capital through a so-called bonus issue. In a bonus issue, consideration is taken of the number of shares already held by each shareholder. The number of new shares which arise through the bonus issue is set in relation to the number of shares already held by each shareholder. The shareholder acquires more shares through the bonus issue, but the shareholder's percentage of the company's increased share capital remains unchanged. The price of the shares declines when there is a bonus issue, but the shareholder retains an unchanged market value on their invested capital by virtue of the increase in the number of shares. The company may also conduct a bonus issue in another manner, namely by writing up the quotient value of the shares. After a write-up, the shareholder has an unchanged number of shares and unchanged market value on their invested capital.
      6. **Quotient value, share splits, and reverse share splits**  
         A share's quotient value is the percentage of the company's share capital represented by each share. A share's quotient value is obtained by dividing the share capital by the total number of shares. Sometimes, companies want to change the quotient value, for example because the share price has increased dramatically. By breaking each share down into two or more shares by means of a so-called split, the quotient value is reduced and, at the same time, the price of the shares decreases. However, following a share split, the capital of the shareholders remains unchanged but it is broken down over more shares which have a lower quotient value and a lower price per share.  
           
         Conversely, a consolidation of shares (*reverse share split*) is undertaken if the share price has declined dramatically. In such case, two or more shares are consolidated into a single share. However, following a reverse share split, the shareholders still have the same capital but it is broken down over fewer shares which have a higher quotient value and a higher price per share.
      7. **Special Purpose Acquisition Companies (SPAC)**  
         Special Purpose Acquisition Companies (SPACs) are shell companies listed on a trading venue with the intention of acquiring an income-producing business, such as another company, in the future. SPACs are often backed by people with solid experience and knowledge of the financial sector. The expertise of this company management is intended to attract investors to invest capital in the SPAC so that the management can make income-generating company acquisitions in the future. Consequently, anyone investing capital in a SPAC does so without knowing what kind of operations the SPAC will conduct in the future.  
           
         The life cycle of a SPAC is usually divided into three phases:  
           
         1. The first step is an IPO where investors are offered the opportunity to subscribe for shares in the empty SPAC which is to be listed.  
           
         2. The second step is when the listed SPAC looks for a target company to acquire.  
           
         3. The third and final step is the acquisition of the target company, which is usually carried out through a merger.  
           
         The different phases of the SPAC are associated with different levels of risk. In general, the first two phases are associated with the highest risk. This is because the investment at this stage is purely speculative - the investor does not know with certainty what the company’s business activities will be, nor can the investor undertake any concrete analyses of what the company's future revenues and costs might be. In addition, the investor is exposed to acquisition-related risks as they do not know when the prospective acquisition will take place (or even if it will take place at all). SPACs sometimes aim to complete an acquisition within, for example, 36 months of the IPO, but the SPAC cannot guarantee this. There is therefore a risk that the empty SPAC will be forced into liquidation and delisted from the trading venue without even successfully making an acquisition.  
           
         However, if the SPAC finds a suitable target company and succeeds in acquiring it, the risk profile of the SPAC transitions to that of an ordinary listed company.
   3. **INDEX BONDS/SHARE INDEX BONDS**  
      Index bonds/share index bonds are bonds whose yield depend on, for example, a share index instead of interest rates. If the index shows growth, the yield follows. If the index has a negative outcome, there may be no yield. Index bonds are also often referred to as capital protected products. This term means that irrespective of whether there is any yield on the product, the nominal amount is repaid, which is customarily the investment amount, less any premium paid on the date of maturity. In this way, index bonds have a limited risk of loss when compared with, e.g., shares and fund units. The risk entailed in investment in a share index bond can be defined as the alternative yield, i.e. the yield the investor would have received on the invested amount if they had invested the capital elsewhere (in addition to any premium and costs paid). Note, however, that the capital protection does not apply if the issuer is declared bankrupt or becomes subject to company re-organisation with judicial composition (Sw. *offentligt ackord*) (reduction of the amount of the claim).  
        
      Index bonds may have various names, such as share index bonds, SPAX, equity bonds, basket credit products, basket interest products, basket currency products, and so forth, depending on the nature of the underlying asset which determines the yield on the bond.
   4. **DEPOSITARY RECEIPTS**  
      A Swedish depositary receipt is a certificate evidencing the right to foreign shares which the issuer of the receipt has custody of/holds on the holder's behalf. A depositary receipt is traded on a regulated market or trading venue in the same way as shares, and ordinarily the price performance follows the price performance on the foreign market where the share is traded. In addition to the general risks associated with trading in shares or other types of participating interests, possible currency risks should also be taken into consideration.
   5. **CONVERTIBLE INSTRUMENTS**  
      Convertible instruments (convertible loans or convertibles) are interest-bearing securities (loans to the issuer of the convertible instrument) which, within a specific time period, can be exchanged for shares. The yield on the convertible instruments, i.e. coupon interest, is customarily higher than the dividend on the exchanged shares. The convertible price is expressed as a percentage of the nominal value of the convertible instrument.
   6. **REVERSE CONVERTIBLES**  
      Reverse convertibles fall somewhere between a fixed-income investment and an investment in shares. The reverse convertible is tied to one or more underlying shares or indices. This investment pays interest i.e. a fixed, guaranteed return. If the underlying shares or the index increase in value, the invested amount is repaid plus the fixed return. If the underlying shares or index should fall, however, there is a risk that instead of the invested amount, in addition to a predetermined yield, the holder can receive one or more shares which are included in the reverse convertible, or an equivalent payment in cash.
   7. **SHARE OPTIONS AND SHARE INDEX OPTIONS**  
      There are different types of share options. Call options give the holder a right, within a certain time period, to buy already-issued shares at a pre-determined price. Put options do the opposite – they give the holder a right, within a certain time period, to sell shares at a pre-determined price. Each acquired option corresponds to one issued option. The risk for the party who acquires an option is that it will diminish in value or become worthless on the exercise date unless risk mitigation measures are taken. In the latter case, the premium paid at the time the option was acquired is entirely lost. The issuer of an option runs a risk that may be unlimited in certain cases unless risk mitigation measures are taken. The price of the option is affected by the price of the corresponding underlying share index, but usually with greater price deviations and impact on the price than these.  
        
      The most extensive trading in share options takes place on the regulated markets. Trading in share index options also takes place there. These index options provide for a profit or loss directly in cash (cash settlement) based on the performance of the underlying index. See also section 2.13 on derivative instruments.
   8. **FORWARD COMMITMENTS FOR SHARES AND SHARE INDICES**  
      A forward commitment entails that the parties have entered into a mutually binding agreement regarding the buying or selling of an underlying asset at a pre-agreed price and on delivery or other performance (e.g. cash settlement) of the agreement on a date stated in the agreement (maturity date). No premium is paid since the parties have corresponding obligations under the agreement.  
        
      There are two main types of forward commitments, and they are known as *futures* and *forwards*. The difference between a future and a forward is in the settlement process, i.e. when a party to a contract receives payment or pays, depending on whether the position has generated a profit or a loss. In respect of a future, a daily settlement is made in the form of regular payments between buyer and seller based on the day-by-day change in value of the underlying asset. In the case of a forward, settlement does not take place until the maturity date of the instrument. See also section 2.13 on derivative instruments.
   9. **WARRANTS**  
      Trading also takes place in certain call and put options with longer terms; in Sweden these are usually called warrants. Warrants may be exercised to buy or sell underlying shares or, in other cases, to pay cash if the price of an underlying share develops properly in relation to the warrant's exercise price. Subscription warrants in respect of shares may be exercised for subscription for corresponding newly issued shares within a specified time period. See also section 2.13 on derivative instruments.
   10. **LEVERAGE CERTIFICATES**  
       Leverage certificates, which are often just called certificates, are often a combination of, e.g., a call and a put option and depend on an underlying asset, for example a share, an index, or a commodity. A certificate has no nominal value. A leverage certificate should not be confused with, for example, commercial paper, which is a type of promissory note which an undertaking can issue in connection with the undertaking borrowing money on the capital market.  
         
       Leverage certificates are characterised by the fact that relatively small price changes in an underlying asset can lead to significant changes in the value of the holder's investment. These changes in value may inure to the investor's benefit, but may also be to the investor's detriment. Holders should be particularly aware that a leverage certificate can decline in value and even ultimately become worthless. All or part of the amount invested may then be lost. Corresponding reasoning may, in many cases, also apply to options and warrants. See also section 2.13 on derivative instruments.
   11. **CRYPTOASSETS AND FINANCIAL INSTRUMENTS WITH CRYPTOASSETS AS UNDERLYING ASSETS**  
       There is no generally accepted definition of cryptoassets (or cryptocurrencies). In simple terms, however, they can be described as a digital asset that can be transferred and stored electronically using distributed ledger technology (e.g. blockchain) or similar technology. Cryptoassets can vary significantly in price. It is possible to acquire and own cryptoassets personally, and thus directly benefit, or suffer, from the ups and downs of the assets. However, investors often choose instead to acquire financial instruments with the cryptoasset as the underlying asset.  
         
       Irrespective of the form of the investor's exposure to the cryptoasset, the investment is risky for several reasons. These include risks associated with the transparency of the cryptoasset, its volatility and valuation, and a lack of consumer protection. This means that instruments that have cryptocurrency as an underlying asset must be traded with great caution. These instruments, mainly certificates and so-called tracker certificates, are complex in their own right and have an additional dimension of complexity when the underlying asset itself is difficult to value and understand. See also section 2.13 on derivative instruments.
   12. **FIXED INCOME INSTRUMENTS**  
       An interest-bearing financial instrument is a claim against the issuer of a loan. The yield normally takes the form of interest. There are different types of fixed income instruments, depending on which issuer issued the instrument, the security which the issuer may have pledged for the loan, the term until the date of repayment, and the form for payment of interest. One common type of interest-bearing financial instrument is a bond. Bonds can be issued by, for example, a company (corporate bonds), a state (government bonds), or a municipality (municipal bonds), instead of another type of debt financing. Bonds are negotiable debt instruments that certify that the holder has lent money to the issuer of the bond. There are different types of bonds and it is important that you, as an investor, understand the type of bond you will be investing in and the risks involved in the investment. See below for different types of fixed income instruments and risks.  
         
       The risk in a fixed income instrument consists in part of the change in price (price risk) which can arise during the term due to changes in market interest rates, and in part that the issuer will not be able to make interest payments or repay the loan (credit risk). Loans where sufficient security for repayment has been pledged are typically seen as less risky than unsecured loans. In purely general terms, one can say that the risk of loss on fixed income instruments is lower than that for shares. A fixed income instrument issued by an issuer with a high credit rating can thus be a good alternative for someone who wishes to minimise the risk that their savings will diminish in value and may be preferable for short-term savings. Even in conjunction with long-term savings, where there can be no risk to the principal, e.g. for pension commitments, elements of fixed income investments are very common. The downside of a fixed income investment is that, as a rule, it yields a low increase in value. Examples of fixed income investments are savings accounts, private bonds, and fixed income funds.  
         
       The prices are established on an on-going basis on both short-term instruments (less than one year), e.g. treasury bills, and on instruments with longer terms, e.g. bonds. This takes place on the money and bond markets. The market interest rates are affected by analyses and assessments made by the Swedish Riksbank and other major institutional market participants regarding the short-term and long-term development of a number of economic factors, such as inflation, economic growth, interest trends in Sweden and abroad, and so forth. The Riksbank also takes so-called monetary policy operations for the purpose of controlling the development of market interest rates so that inflation remains within established targets. The financial instruments which are traded on the money and bond markets (e.g. government bonds, treasury bills, and housing bonds) are often traded in very large posts (multimillion amounts).  
         
       One form of fixed income instrument is a discount security, where the instrument is sold at a discount. When sold, the price of the instrument is calculated by discounting the loan amount, including calculated interest, to present value. The present value or the rate is lower than the amount which is received at the time of repayment (nominal amount). Bank certificates and treasury bills are examples of discount securities, as are bonds structured as so-called zero-coupon bonds.  
         
       There may also be instruments and other forms of savings where the interest is protected against inflation and the investment therefore gives a fixed actual rate of interest.  
         
       If market interest rates go up, the price of the previously issued fixed income financial instruments will fall if they carry a fixed rate of interest, since new loans can be issued at an interest rate which follows the current market interest rate and thus provide higher rate of interest than the issued instrument. Conversely, the rate on issued instruments rises when market interest rates go down.  
         
       Loans issued by states and municipalities are deemed to be risk-free in respect of repayment, which thus applies to government and municipal bonds. Issuers other than the state and municipalities may sometimes, when issuing bonds, provide security in the form of other financial instruments or other property (pledge of property or collateral).  
         
       There are also other fixed income instruments which entail a higher risk than bonds if the issuer encounters difficulties in repaying the loan, e.g. subordinated debentures, since in such case the loan is not repaid until all other creditors have been paid. Contingent convertibles, known as *cocos*, are another type of complex product with risks that can be very difficult to understand. Basically, they are bonds that can be written down, i.e. lose all or part of their value, or be converted into shares, if certain pre-determined events occur.  
         
       One form of fixed income instrument is the secured bond. These are associated with a special right of priority pursuant to special legislation. The purpose of the regulations regarding secured bonds is that an investor will obtain full payment pursuant to an agreed timetable even if the issuer of the bond is placed into bankruptcy, provided that the property which secures the bond is sufficiently valuable.
   13. **DERIVATIVE INSTRUMENTS**  
       A derivative instrument is a financial instrument whose value depends on another underlying asset. Derivative instruments can be, for example, options, forward commitments, warrants, swaps, or contracts for difference (CFD). There are different types of underlying assets, e.g. shares, bonds, commodities, and currency. Derivative instruments may be used, for example, to provide protection against an unwanted change in the price of the underlying asset or to achieve a profit or return with a smaller capital investment than would be required to make a similar trade directly in the underlying asset.  
         
       The market price of a derivative instrument depends on the market price of the underlying asset. One circumstance in particular is that the price performance of the derivative instrument is usually stronger than the price performance of the underlying asset. The price effect is called the leverage effect and can lead to greater profit on the capital invested than what would have been the case had the investment been made directly in the underlying asset. However, the leverage effect may just as easily lead to greater losses on the derivative instrument when compared with the change in value of the underlying asset, where the price performance in respect of the underlying asset is different than expected. The leverage effect, i.e. the fact that the magnitude of a price change of the derivative instrument is greater than a price change of the underlying asset, varies depending on the structure of the derivative instrument and the way it is used. Accordingly, significant requirements are imposed on monitoring price performance for the derivative instrument and on the underlying asset. It is in the investor's best interest to be prepared to act quickly, often during the course of a day, if the investment in a derivative instrument develops unfavourably. In making its risk assessment, it is also important for the investor to consider the possibility that settling a position/holding may be more difficult in the event of negative price changes.  
         
       For further information on derivative instruments, see INFORMATION ON TRADING IN OPTIONS, FUTURE COMMITMENTS, AND OTHER DERIVATIVE INSTRUMENTS.
3. **TRADING IN FINANCIAL INSTRUMENTS**  
   Trading in financial instruments takes place mainly in an organised form on a trading venue. Trading takes place through the investment firms which participate in trading on the trading venue. As a client, you must ordinarily contact such an investment firm in order to buy or sell financial instruments. For more information on where your investment firm executes your orders, see the current best execution policy.  
     
   Trading on regulated markets, trading platforms, and other trading venues comprises a secondary market for financial instruments which have already been issued by a company. If a secondary market functions well - i.e. if it is easy to find buyers and sellers, and bid and ask prices, and the transaction prices (prices paid) from completed transactions are regularly quoted - companies also have an advantage in that it becomes easier to issue new instruments when necessary and thereby acquire more capital for the company's operations. The market on which purchases/subscriptions of newly issued instruments takes place is known as the primary market.  
   1. **TRADING VENUES AND OTHER EXECUTION VENUES**  
      The term trading venues refers to regulated markets and the two forms of trading platforms: MTFs and OTFs. In addition, clients’ trading may take place via an investment firm that acts as a systematic internaliser, market maker or other person providing liquidity.  
      1. **Regulated market**  
         Various types of financial instruments are traded on a regulated market. In respect of financial instruments issued by limited companies, only instruments issued by public limited companies can be listed and traded on a regulated market. Significant requirements are imposed on such companies, among other things in respect of the company's size, operating history, diversification of ownership, and public reporting of the company's finances and operations.  
           
         There are currently two regulated markets in Sweden: Nasdaq OMX Stockholm AB ("Stockholm Stock Exchange") and Nordic Growth Market NGM AB ("NGM").
      2. **MTF**  
         An MTF can be described as a trading system which is organised and provided by a stock exchange or an investment firm. Typically, the financial instruments traded on a trading platform are subject to lower requirements, for example in the form of provision of information and operating history, when compared with financial instruments which are traded on a regulated market.  
           
         There are currently three MTFs in Sweden: Spotlight, First North and Nordic MTF.
      3. **OTF**  
         An OTF is similar to an MTF in many ways. However, only financial instruments that are not shares or share-related securities, such as bonds and derivative instruments, can be traded on an OTF. In addition, the OTF may have less restrictive trading rules, including order matching, than those of regulated markets and MTFs.
      4. **Systematic internaliser, market maker, or other person providing liquidity**  
         A systematic internaliser (SI) is an investment firm which, in an organised, frequent, and systematic manner, trades on its own behalf by means of executing client orders outside of a regulated market or a trading platform. A systematic internaliser is obligated to publish market rate offers, i.e. bid and ask prices for liquid financial instruments which are traded on a trading venue and for which the systematic internaliser conducts systematic internal trade.  
           
         Trading can also take place through an investment firm without a systematic internaliser, specifically against the institution's own stock or with another of the institution's clients. In such a case, the institution in question is a market maker or other liquidity provider.
      5. **Trading and quotation lists**  
         In respect of shares, trading venues generally divide the shares into various lists which are published, for example on the trading venue's website, in daily newspapers, and in other media. The list on which a company's shares are traded may be determined by the company's market capitalisation, e.g. the Stockholm Stock Exchange's Large, Mid and Small caps. The most traded shares may also be placed on a separate list. Certain investment firms also publish their own lists of financial instruments which are traded via the institution, prices at which the instruments are traded, and so forth. Shares on lists with higher requirements and high turnover are normally deemed to entail a lower risk than shares on other lists.  
           
         Information regarding prices and other matters in respect of both shares and other types of financial instruments, for example fund units, options, and bonds, are also regularly published via, for example, the trading venues' websites, in daily newspapers, and in other media.
4. **SHORT SELLING**  
   Short selling occurs when a party who has borrowed financial instruments and simultaneously committed to return instruments of the same type to the lender at a later date, sells the borrowed instruments. At the time of the sale, the borrower relies on the fact that at the time of return, they will be able to acquire the instruments on the market at a lower price than that at which the borrowed instruments were sold. Should the price instead increase, a loss is incurred, which may be significant in the event of a significant price increase.  
     
   Unlike in some parts of the world, naked short selling is, in principle, prohibited in the EU. Naked short selling means that at the time of the short sale, the seller has not borrowed the security or ensured that it can be borrowed.
5. **BORROWING**  
   It is possible to hypothecate financial instruments. To do so, however, you need an approved credit assessment and a credit agreement. This means that the borrower borrows money with the financial instruments as collateral (pledge). Using the borrowed money, the borrower can invest more money in financial instruments than they would have been able to without the loan.  
     
   Investing borrowed money in financial instruments means that you not only have the possibility of higher returns, you also expose yourself to greater risk. This increased risk works similarly to that in connection with the trading of financial instruments with built-in leverage (see, for example, section 2.10 on leverage certificates).  
     
   If you have financed an investment with borrowed money and the investment subsequently falls sharply in value, this may result in the lender itself selling the securities you pledged as collateral for the loan and you may also need to inject additional cash to cover the collateral shortfall.

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Additional general information regarding various types of financial instruments and trading in financial instruments, as well as suggestions for additional literature in the area, are also available on the Consumers' Banking and Finance Bureau's website, [www.konsumenternas.se](http://www.konsumenternas.se) and on SwedSec's website, [www.swedsec.se](http://www.swedsec.se).

Information on individual financial instruments and their issuers is available in published prospectuses, which can easily be found at [...]