Financial Instruments Risk Disclosure

Banks Instruments Limited | Hong Kong | Draft Template - Not for Execution

Regulatory capacity: any regulated activity described in this template must be performed only under the verified licence or exemption [INSERT], or by the named licensed third-party provider [INSERT]. Any security amount is contractual transaction security under definitive documents and is not a bank deposit or customer deposit with Banks Instruments Limited.

Purpose

This notice summarizes material risks associated with standby letters of credit, bank guarantees, notes, bank drafts, safekeeping receipts, proof of funds, blocked funds, key tested transfers, leasing, purchase, monetization and related financing. It is not exhaustive and does not replace advice from independent legal, financial, tax, accounting or regulatory professionals.

No guaranteed outcome

An application, indicative term, calculator result, bank message draft or preliminary review does not guarantee issuance, authentication, acceptance, monetization, financing, repayment, profit or completion by a stated date. Every transaction depends on due diligence, bank and provider approvals, contract terms, law, credit and operational capacity.

Issuer and counterparty credit risk

An instrument's value depends on the issuer's legal obligation and ability to perform. Ratings can change, and an issuer, applicant, provider, lender, custodian, broker, trustee or receiving bank may fail, become insolvent, dispute liability or be restricted by authorities.

Authenticity and fraud risk

Financial instrument markets attract forged documents, false bank contacts, spoofed domains, altered SWIFT copies, unauthorized intermediaries and fabricated proof of funds. Authenticity should be confirmed through bank to bank or another independently accepted channel. Screenshots and broker assurances are not sufficient verification.

Legal and enforceability risk

Wording, governing rules, sanctions, licensing, capacity, public policy, assignment restrictions, expiry, conditions and jurisdiction may affect validity and enforcement. A document described as an instrument may not create the intended obligation or may be unusable for the proposed financing.

Liquidity and monetization risk

There may be no willing licensed lender, investor or purchaser. Advance rates and prices depend on issuer quality, tenor, currency, wording, custody, transferability, market conditions and transaction structure. A calculator may use illustrative recourse proceeds around 80 percent, an annual simple interest assumption of 2 percent and illustrative non recourse proceeds around 65 percent. The 2 percent assumption is configurable, excludes fees and is not a lender quote. Actual terms may be unavailable or materially different.

Recourse risk

Under recourse financing, the borrower may owe principal, interest, costs and indemnities even if the instrument loses value or is not honored. Security enforcement may extend to other assets or guarantees described in the definitive documents.

Non recourse limitations

A transaction labelled non recourse may still include recourse for fraud, misrepresentation, title defects, covenant breaches, unauthorized transfers, sanctions, taxes or other negotiated exceptions. The client must review the actual provisions rather than rely on the label.

Operational and timing risk

Transactions may be delayed or fail because of compliance review, wording disagreements, correspondent routing, authentication, message formatting, settlement windows, public holidays, technical outages, account restrictions or inaccurate instructions. Euroclear, SWIFT and bank processing references are not completion guarantees.

Fees and net proceeds risk

Gross amounts may be reduced by provider fees, lender reserves, interest, legal and custody expenses, taxes, bank charges, commissions and exchange costs. Some properly incurred costs may remain payable even when a transaction does not close, if the applicable agreement says so.

Currency and market risk

Exchange rates, interest rates, collateral values and funding conditions may change between application, issuance and closing. Hedging may be unavailable, imperfect or costly.

Custody and control risk

Rights can depend on where and how an instrument is held, registered, pledged or controlled. A safekeeping receipt or custody record does not by itself establish value, title, transferability or a bank payment obligation.

Regulatory sanctions and tax risk

Laws may prohibit or restrict transactions, countries, institutions, persons, currencies or uses of proceeds. Authorities and banks may freeze, reject, report or investigate funds. Tax and reporting consequences vary and remain the client's responsibility.

Broker and conflict risk

Intermediaries may have contingent compensation or conflicting mandates. Every broker, commission and principal should be disclosed. No person should receive funds or confidential bank information without verified authority and due diligence.

Client responsibility

Before signing or paying, the client should verify counterparties and accounts, obtain independent advice, understand all definitive documents, confirm how fees and performance protections are funded, evaluate downside scenarios and ensure it can bear the potential loss.

Acknowledged by [CLIENT LEGAL NAME]

Authorized signatory: [INSERT]

Signature and date: [INSERT]