

## 1. What is Fractional Bond Trading and what terms and conditions are applicable to the Client?

ADCB Fractional Bond Trading is a service provided to Clients within the United Arab Emirates that allows Clients to purchase and sell investment products that provide exposure to an underlying Reference Bond in a minimum denomination that is lower than what is typically required to access traditional bond markets. Fractional Bond Trading requires an ADCB investment account and is governed by these terms and conditions, in addition to the ADCB Wealth Services Terms and Conditions available on ADCB's website, [adcb.com](http://adcb.com).

## 2. Who is eligible to do Fractional Bond Trading?

2.1 To conduct Fractional Bond Trading, you must:

- be a Client of ADCB with an investment account;
- be classified by ADCB as an ordinary or professional investor;
- have read and understood the Key Fact Statement prepared for Fractional Bond Trading;
- understand that a Fractional Bond Investment is not a security;
- agree that the service is an execution only service and that ADCB is not recommending or advising you to purchase or sell any Fractional Bonds; and
- agree to these Fractional Bond Trading Terms and Conditions, which are supplemental to and must be read in conjunction with the ADCB Wealth Services Terms and Conditions available on ADCB's website.

## 3. How does Fractional Bond Trading work?

3.1 When you purchase a Fractional Bond Investment, you are taking proportional economic exposure to a Reference Bond.

3.2 Your Fractional Bond Investment will give you a proportionate share of the replicated interest payments and principal repayments of the relevant Reference Bond, based on the size of your investment in the Fractional Bond Investment.

3.3 The performance of the Fractional Bond Investment will replicate the performance of the relevant Reference Bond.

## 4. Can you use Fractional Bond Trading to buy a portion of any bond?

4.1 Only bonds that meet certain criteria and appear on a list of Eligible Fixed Income Securities maintained by ADCB will be available as part of the Fractional Bond Trading Service.

4.2 Please speak to your relationship manager for the current list of Eligible Fixed Income Securities.

## 5. What if a bond is removed from the list of Eligible Fixed Income Securities?

5.1 If you have purchased a Fractional Bond Investment and the relevant Reference Bond is removed from the list of Eligible Fixed Income Securities, you will be able to continue to hold the relevant Fractional Bond Investment, but you will not be permitted to purchase additional Fractional Bond Investments with the same Reference Bond.

5.2 The Bank will notify you as soon as reasonably practicable if a Reference Bond is removed from the list of Eligible Fixed Income Securities.

## 6. Does a Fractional Bond Investment give me an ownership interest in the relevant Reference Bond?

6.1 A Fractional Bond Investment does not give any legal or beneficial ownership in the underlying Reference Bond and holding a Fractional Bond Investment does not give any recourse to the issuer of the relevant Reference Bond.

6.2 A Fractional Bond Investment is an investment product and not a security.

6.3 A Fractional Bond Investment is an investment product that replicates the proportional economic returns of the underlying Reference Bond. Your entitlement to receive interest and principal payments on the Fractional Bond Investment is contingent on the performance of the underlying Reference Bond as well as the solvency of the Bank.

6.4 As holders of Fractional Bond Investments do not have any interest in the underlying Reference Bond, you will have no right to attend or vote in any meetings of holders of the Reference Bonds.

6.5 The issuer of a Reference Bond has no obligation to disclose information to or communicate with holders of any associated Fractional Bond Investments.

## 7. What happens if a Reference Bond defaults or is restructured?

7.1 If you are holding a Fractional Bond Investment and the underlying Reference Bond defaults, the Bank will notify you as soon as reasonably practicable.

7.2 An event of default in respect of an underlying Reference Bond of a Fractional Bond Investment may lead to a loss of interest and/or principal in respect of the Fractional Bond Investment.

7.3 Any event of default in respect of an underlying Reference Bond may lead to a bondholder meeting of the relevant Reference Bond. As a holder of a Fractional Bond Investment, you will not have the right to attend or vote in any such meetings called in respect of the underlying Reference Bond. The Bank will use its best efforts to keep you informed of any restructurings in respect of Reference Bonds that are relevant to your portfolio of Fractional Bond Investments, however the Bank cannot give any assurance as to the outcome of any restructurings.

7.4 The Bank will use its best efforts to offer you a price to sell any defaulted Fractional Bond Investments, however a default may lead to the loss of some or all of your investment in the relevant defaulted Fractional Bond Investments.

## 8. How do I know when my Fractional Bond Investment will pay interest and principal?

8.1 All interest payment dates and maturity dates of Fractional Bond Investments are available on request from the Bank.

## 9. A Fractional Bond Investment that I am holding did not pay interest and or principal when I was expecting it. What can I do?

9.1 If you fail to receive a payment of interest and or principal when due in respect of a Fractional Bond Investment, please contact your relationship manager.

9.2 All payments in respect of Fractional Bond Investments are contingent upon the performance of the underlying Reference Bond. On the basis that payments of interest and or principal are made in respect of the relevant Reference Bond, payments will be made in respect of the associated Fractional Bond Investment within two UAE business days.

#### 10. How can I buy or sell Fractional Bond Investments?

- 10.1 Fractional Bond Investments may be bought or sold through the Bank's investment platform.  
10.2 Selling a Fractional Bond Investment prior to its stated maturity date is dependent upon market liquidity, as determined by the Bank.

#### 11. How is the price of a Fractional Bond Investment determined?

- 11.1 The price of a Fractional Bond Investment is based on the live market data for the relevant underlying Reference Bond and is available on request from ADCB.  
11.2 Any price provided to a Client in respect of a Fractional Bond Investment is indicative only and all Fractional Bond Investments will trade at the relevant market or limit price at the time of execution, which may not be on the same trading day as the instruction was placed by the Client.

#### 12. What is the minimum investment amount for Fractional Bond Trading?

- 12.1 The minimum face value of investment amount in a Fractional Bond Investment is U.S.\$25,000 and integral multiples of U.S.\$1,000 in excess thereof.

#### 13. What are the fees applicable to Fractional Bond Trading?

- 13.1 The fees for the Fractional Bond Trading service can be found in the schedule of Fees for Wealth Services available on [www.adcb.com/fees](http://www.adcb.com/fees)

#### 14. Are there any risks associated with Fractional Bond Trading?

- 14.1 The following risks do not purport to be an exhaustive summary of the risks associated with Fractional Bond Trading. The Client must read the risks stated herein along with the Key Facts Statement, the ADCB Wealth Services Terms and Conditions, and any other documentation as may be published by ADCB from time-to-time. The Client is solely responsible for obtaining independent legal and professional advice relating to the risks associated with Fractional Bond Trading.
- 14.2 Liquidity Risk: Limited marketability may affect the ability to sell positions in Fractional Bond Investments quickly or at favorable prices.
- 14.3 Credit Risk: The risk of default by the issuer of the underlying Reference Bond or risk of ADCB insolvency. Should the Bank go insolvent, your portfolio of Fractional Bond Investments will not be segregated in a client money account and so you may lose some or all of the capital invested in the Fractional Bond Investments.
- 14.4 Limited Rights Risk: While a holder of a Fractional Bond Investment receives economic exposure mirroring the underlying Reference Bond on a fractional basis, they will not hold any legal title, voting rights, or beneficial interest in the relevant Reference Bond.
- 14.5 Interest Rate Risk: Changes in interest rates may affect the value of the Reference Bond and the associated Fractional Bond Investment.
- 14.6 Market Risk: Broader market movements may impact the value of the underlying Reference Bond and the associated Fractional Bond Investment.
- 14.7 Currency Risk: Exposure to foreign exchange fluctuations if the Reference Bond is denominated in a currency other than the investor's base currency.
- 14.8 Operational Risk: Risks arising from system failures, human error, or external events.
- 14.9 Regulatory and Legal Risk: Changes in laws or regulations may impact the investment or its returns.
- 14.10 Reference Bond Risks: Before buying a Fractional Bond Investment, you should be aware that the risks of the relevant Reference Bond will be disclosed in a disclosure document that is publicly available. You hereby agree that you will not place an order for a Fractional Bond Investment until you have read and understood the risks associated with the relevant Reference Bond.
- 14.11 The Bank accepts no responsibility for and does not guarantee the performance of any Reference Bond or associated Fractional Bond Investment.
- 14.12 The Bank has not conducted due diligence on any Reference Bond and the availability of a Fractional Bond Investment on the Bank's investment platform does not represent a recommendation, inducement, promotion or advice.

#### 15. How will ADCB communicate with me in relation to my Fractional Bond Investments?

- 15.1 The Bank will provide monthly holding statements to all holders of Fractional Bond Investments.  
15.2 Notification reports on buy and sell transactions will be provided as soon as practicable following the execution of the trade. The transaction confirmation will be made available to you by ADCB in relation to the account maintained in your name by ADCB.  
15.3 The Bank will use reasonable endeavours to provide material credit updates in respect of any Relevant Bonds that are associated with your Fractional Bond Investments.

#### 16. Can I transfer my portfolio of Fractional Bond Investments to another bank or broker?

- 16.1 Fractional Bond Investments may only be bought or sold through the ADCB investment platform. It is not possible to transfer holdings of Fractional Bond Investments outside of ADCB.

#### 17. Can the Bank amend these terms and conditions?

- 17.1 The Bank may at any time vary or amend these terms and conditions or introduce new terms and conditions. Any such amendment shall be notified within sixty (60) days to the Client through Bank Communication as per the Applicable Laws.

#### 18. Can the Client create security over Fractional Bond Investments in favour of a third party?

- 18.1 The Client is not permitted to create any kind of security over its Fractional Bond Investment portfolio in favour of any third party or otherwise.

#### 19. Can the Bank discontinue Fractional Bond Investments in case of any changes in applicable regulation?

- 19.1 The Bank reserves the right to discontinue the offering of Fractional Bond Investments in whole or in part, without prior notice, in the event of any regulatory changes, directives, or discretionary decisions issued by the SCA or any other relevant regulatory authority. This includes, but is not limited to, circumstances where a defect or irregularity is identified in the structure or issuance of the Fractional Bond Investments or the Relevant Bonds that may adversely affect investor interests.  
19.2 In such cases, the Bank may cease accepting new subscriptions for Fractional Bond Investments. The Bank will continue to pay interest and principal in respect of Fractional Bond Investments to the extent permitted by applicable regulations and subject to market liquidity. This includes facilitating redemption or secondary market sale transactions, where feasible.



#### GLOSSARY

**ADCB** means Abu Dhabi Commercial Bank PJSC

**Client** means a client of ADCB

**Eligible Fixed Income Security** means a fixed income security that meets certain criteria that are determined from ADCB from time to time

**Reference Bond** means the underlying fixed income security that a Fractional Bond Investment is giving economic exposure to

**Fractional Bond Investment** means an investment providing synthetic exposure to a single Reference Bond

**Fractional Bond Trading** means a service offered by ADCB to Clients within the United Arab Emirates that allows Clients to buy and sell Fractional Bond Investments

**SCA** means the Securities and Commodities Authority of the United Arab Emirates