

**TRADE** | CAPITAL MARKETS

# RISK DISCLOSURE NOTICE

TRADE CAPITAL MARKETS (TCM) LTD



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## 1. INTRODUCTION

The purpose of the Risk Disclosure Statement (“the Statement”) is to provide the Clients with appropriate guidance on the nature and risks of the specific types of financial instruments offered by Trade Capital Markets (TCM) Limited (hereafter the “Company or “TCM”). TCM provides investment services for the following products:

- Contracts for Difference (“CFDs”);
- Shares;
- Options;
- Futures;
- Exchange Traded Funds (“ETFs”);
- Warrants;
- Fixed Income;
- Mutual Funds.

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

The value of Shares, ETFs, Fixed Income products and Mutual Funds can fall as well as rise, which could mean getting back less than you originally put in.

Options and Warrants are complex financial instruments and are not suitable for all investors. Your capital is at risk.

Futures are not suitable for all investors. The amount you may lose may be greater than your initial investment.

Security Futures are highly leveraged instruments and are not suitable for all investors.

You should consider whether you understand the financial products you wish to invest in and whether you can afford to risk losing your invested capital. If you don't understand any product, you should seek for independent financial advice. Past performance is no guarantee of future results. The Company provides no investment advice of any kind, nor gives advice or offers any opinion with respect to the nature, potential value or suitability of any particular securities transaction or investment strategy.

Professional clients can lose more than they deposit.

Before trading you must read, acknowledge, understand and agree with the risks disclosed below:

- **Section 2:** Definitions
- **Section 3:** Risk Disclosures
- **Section 4:** Risk Disclosure Statement for Futures and Options
- **Section 5:** General Risk Disclosure
- **Section 6:** Electronic Trading And Order Routing Systems Risk Disclosure Statement

The Company provides a range of products through different channels:

- **Matched Principal Trading** which means a transaction where three elements are simultaneously fulfilled:
  - 1) the facilitator interposes between the buyer and seller to the transaction in such a way that it is never exposed to market risk throughout the execution of the transaction (no-risk exposition component),
  - 2) both sides are executed simultaneously (timing component), and

- 3) the transaction is concluded at a price where the facilitator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction (remuneration structure component).
- **Reception and Transmission** of orders refers to the reception of a purchase or sale order from the client and the immediate transmission of the instructions to the counterparty for execution.
  - Electronic Trading. **Electronic Trading and Order Routing Systems Risk Disclosure Statement** can be found in Section 6.

## 2. DEFINITIONS

### 2.1. Complex Products Vs Non-Complex Products

A complex product can pose a greater risk for the investor and usually has less liquidity and, ultimately, it is more difficult to understand both its characteristics and the associated risk. Examples of complex products include CFDs, Options and Futures. Examples of non-complex products include Shares and Bonds.

### 2.2. CFDs

CFDs are derivative products whose price depends on the movement of the price of the underlying asset. They are negotiated Over-The-Counter (“OTC”). Economically, a CFD is an agreement between a buyer and a seller to exchange the difference between the current price of an underlying asset and its price when the contract is closed.

A CFD allows the investor to obtain an indirect exposure to an underlying asset, for example a Security, Commodity, Cryptocurrency or Index. This means investors will not own the underlying asset, but their gains or losses will result from the price movements in the underlying asset to which they have an indirect exposure.

When trading a CFD, the investor agrees to exchange the difference in the price of an asset from the point at which the contract is opened to when it is closed.

They are suitable for investors wishing to speculate (generally over the short term) on financial markets such as shares, forex, indices and commodities without having to take ownership of the underlying assets. Investors may choose to buy (going “long”) CFD units or to sell (going “short”) CFD units. With both long and short trades, profits and losses will be realised once the position is closed.

One of the main benefits of CFD trading is that investors can speculate on price movements in either direction: they will realise a profit or suffer a loss depending on the extent to which the investor’s forecast about the price movement of the underlying asset is correct.

Therefore, the return depends on the size of the performance (or movement) of the underlying instrument and the size of the investor’s position.

CFDs are leveraged products commonly traded on margin, which means that investors only need to deposit a small percentage of the full value of the trade in order to open a position and to keep your position(s) open. This is called the Initial Margin and Maintenance Margin respectively.

Margin trading requires extra caution: whilst trading on margin allows to magnify returns, losses will also be magnified as they are based on the full value of the CFD position. This is why investors can lose up to the entire capital deposited.

### 2.3. Fixed Income Securities

An asset class for which real return rates or periodic income is received at regular intervals at reasonably predictable levels. Fixed-income investors are often retired individuals who rely on their investments to provide a regular, stable income stream. The most common type of a fixed-income security is a bond.

A bond is a debt instrument issued for a defined period of time at a fixed interest rate with the purpose of raising capital by borrowing. A bond is a promise to repay the principal along with interest on a specified date. Types of bonds include corporate bonds, municipal bonds, and U.S. Treasury bonds, notes and bills, which are collectively referred to as simply "Treasuries."

## 2.4. Equities

An equity is a security that represents ownership in a corporation and a claim on part of the corporation's earnings and assets. Owning shares does not necessarily mean direct control over a company's day-to-day operations but entitle the shareholder to a share of the company's profits. There are generally two types of stock: common and preferred. Common stock provides voting rights at shareholder meetings and a share of the company's profits through the payment of dividends. Preferred stock holders have a higher claim to earnings and assets and receive dividends before common stock holders, but usually do not have voting rights.

## 2.5. ETFs

An Exchange-traded Fund (ETF) is a basket of securities traded on an exchange. An ETF can contain all types of investments including shares, commodities, or bonds. Instead of trading baskets of debt securities or commodities, ETFs aim to track the performance of an underlying set of assets or index, like the FTSE 100.

ETFs can vary in lots of ways, including:

- Physically replicated ETFs, which buy the underlying assets (usually equities or bonds) which the benchmark tracks, or synthetically replicated ETFs which use derivatives (like swap agreements) to get exposure to the benchmark and track its performance;
- Income distribution ETFs, which return dividends to investors, or accumulated distribution ETFs, which reinvest them into the fund; and
- Smart beta ETFs, which use extra rules to try and outperform their benchmark.

## 2.6. Mutual Funds

The purpose of Mutual Funds is to raise funds, assets or rights from the public to manage them or invest them in goods, rights, securities or other financial instruments.

## 2.7. Options

An Option is a financial product that enables you to trade on the future value of a market. When you buy an Option, you're paying a premium for the right to trade a market at a predetermined price, before a predetermined date when the option expires, i.e. expiration date.

Options come in two main varieties: calls and puts.

- **Calls** give you the right, but not the obligation, to buy a contract at a predetermined price, before a predetermined date;
- **Puts** give you the right, but not the obligation, to sell a contract at a predetermined price, before a predetermined date.

The buyer of an Option is known as the holder, while the seller is known as the writer. In a Call, the holder has the right to buy the underlying market from the writer. In a Put, the holder has the right to sell the underlying market to the writer.

American Options can be exercised any time before the expiration date of the option, while European Options can only be exercised on the expiration date or the exercise date.

Exercising means utilising the right to buy or sell the underlying security.

Call Options and Put Options form the basis for a wide range of option strategies designed for hedging, income, or speculation.

For the buyer of the option to have the right to buy (Call) or to sell (Put), he has to pay a premium, at the time of opening the position, to the seller.

Selling the option to buy (call) or to sell ( put) allows the seller to collect a premium upfront, at the time of opening the position from the buyer.

The following table explains the impact of an increase in the price of the underlying asset, volatility, interest rates, dividends and expiration date on the pricing of a call or put option:

IF FACTOR INCREASES	IMPACT ON THE PRICE	
	CALL	PUT
PRICE OF THE UNDERLYING ASSET	Increase	Decrease
VOLATILITY	Increase	Increase
INTEREST RATES	Increase	Decrease
DIVIDENDS	Increase	Decrease
EXPIRATION DATE	Increase	Increase

The following table provides an overview of how Options work and explain the potential profits and losses for each position.

POSITION	PREMIUM	EXERCISE	EXPECTATIONS	PROFITS	LOSSES
LONG CALL	Pay	Right	Bullish	Unlimited	Limited to the premium
SHORT CALL	Receive	Obligation	Bearish	Limited to the premium	Unlimited
LONG PUT	Pay	Right	Bearish	Unlimited	Limited to the premium
SHORT PUT	Receive	Obligation	Bullish	Limited to the premium	Unlimited

## 2.8. Futures

Futures are the buying and selling of a standard quantity of a financial asset at a future date and at a fixed price. Futures, unlike Forwards, are standardised contracts and must be traded on a Regulated Exchange. Delivery of a future is rare. The Futures markets bring together people wishing to hedge to protect themselves against the rise and fall of prices, and speculators who are trying to benefit from such movements. Unlike Options, which give the holder the right to buy or sell the underlying asset at expiration, the holder of a Futures contract is obliged to fulfill the terms of the contract.

Futures are derivative financial contracts that oblige the parties to make, or to take, delivery of the underlying asset of the contract, or in some cases to settle the position with cash, at predetermined future date and price. The buyer must purchase or the seller must sell the underlying asset at the set price, regardless of the current market price, at the expiration date.

In a short position, in the case of monetary settlement, if the market price of Futures is higher than the selling price, the investor pays the difference between the two prices. If the market price of Futures is lower than the selling price, the investor receives the difference between the two prices. Both Profits and Losses are unlimited. In the case of physical liquidation, the investor delivers the amount of the underlying asset agreed upon to the buyer and receives the predetermined monetary value.

In a long position, in the case of monetary settlement, if the market price of a position is lower than the purchase price, the investor pays the difference between the two prices. If the market price of Futures is higher than the purchase price, the investor receives the difference between the two prices. Both Profits and Losses are unlimited. In the case of physical settlement, the investor pays the predetermined monetary value and receives the predetermined amount of the underlying asset.

## 2.9. Warrants

A Warrant is a type of equity security issued by corporations that gives the holder the right to purchase common stock at a specified (subscription) price in the future. Warrants have a long maturity and are typically issued in connection with a shares offering.

Warrants are in many ways similar to Options, but a few key differences distinguish them. Warrants are generally issued by the company itself, not a third party, and they are traded Over-The-Counter more often than on an Exchange.

The following table explains the impact of an increase in the price of the underlying asset, volatility, interest rates, dividends and expiration date on the pricing of a Call or Put Warrant:

IF FACTOR INCREASES	IMPACT ON THE PRICE	
	CALL	PUT
PRICE OF THE UNDERLYING ASSET	Increase	Decrease
VOLATILITY	Increase	Increase
INTEREST RATES	Increase	Decrease
DIVIDENDS	Increase	Decrease
EXPIRATION DATE	Increase	Increase

The following table provides an overview of how Warrants work and explain the potential profits and losses for each position:

POSITION	PREMIUM	EXERCISE	EXPECTATIONS	PROFITS	LOSSES
LONG CALL	Pay	Right	Bullish	Unlimited	Limited to the premium
SHORT CALL	Receive	Obligation	Bearish	Limited to the premium	Unlimited
LONG PUT	Pay	Right	Bearish	Unlimited	Limited to the premium
SHORT PUT	Receive	Obligation	Bullish	Limited to the premium	Unlimited

### 3. RISK DISCLOSURES

#### 3.1. General Risks for All Financial Instruments

The following are some key risks applicable to all of the types of investments. Each type of investment will also entail some additional risks that are specific to the underlying investments.

**Market Risk:** The value of each type of financial instrument held in your managed portfolio may fluctuate dramatically as a result of different market factors including the price or level of any underlying reference asset, the level of interest rates, credit quality of the issuer and, where applicable, the guarantor, foreign exchange rates, volatility, liquidity and, if relevant, the tenor remaining on the relevant financial instrument. The value of any financial instrument in your managed portfolio may very quickly fall as well as rise and, can also become valueless. Investing in financial instruments is as likely to incur losses as it is to make profit. Past performance should not be an indicator of future performance.

**Emerging Market Risk:** Investments in emerging markets entail additional risks associated with political and economic uncertainty, adverse government policies, restrictions on foreign investment and currency convertibility, currency exchange rate fluctuation, higher volatility, inadequate liquidity, possible lower levels of disclosure and regulation, and uncertainties as to the status, interpretation and application of laws, including those relating to private ownership of assets, expropriation, nationalization and confiscation.

**Underperformance Risk: This is not a deposit.** There is no guarantee from Trade Capital Markets (TCM) Limited or any other party that you will be able to earn returns under that will be greater than or at least equal to any potential return you may have earned from a bank deposit or direct investment in any non-structured fixed coupon bond. There is also a risk that you may not receive any returns and may in fact incur losses on your investment.

**Tax Risk:** We recommend that you take independent tax advice before entering into this portfolio management mandate to ensure that you understand the potential tax implications (including the implications of any applicable income tax, goods and services or value added taxes, stamp duties and other taxes) of acquiring, entering into, holding and disposing of the relevant investment or transaction. Different transactions may have different tax implications and the tax consequences of any transaction is dependent upon your individual circumstances and may be subject to change in the future. Trade Capital Markets (TCM)

Limited does not offer tax advice and any tax-related information provided to you by Trade Capital Markets (TCM) Limited from time to time should not be relied on as tax advice or as a tax recommendation.

### 3.2. CFDs

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

A CFD is a contract between two parties to exchange the difference in price of an underlying asset (shares, currencies, commodities, indices, etc.) between the time at which the contract is entered into and the time at which it is closed.

CFDs are high risk investments, which are not suitable for everyone. If you are unsure about trading, you may wish to seek independent advice first.

When trading with CFDs, you need to take into account the main characteristics and associated risks listed below.

**Magnified Losses:** CFDs are derivative financial products that are traded on margin ('Leveraged Products'). Trading on margin carries a significant level of risk since leverage can magnify your potential gain and your potential losses equally. Leverage allows a Client to initiate trades of much larger nominal value without having to fund the whole amount. Instead a much smaller amount ('Margin') is used in order to initiate a trade. For example, 10:1 leverage, also known as 10% margin requirement, means \$10,000 of equity is required to initiate a trade on an instrument with a nominal value of \$100,000. The lower the margin requirement, the higher the risk of potential losses if the market moves against you.

**Appropriateness Assessment:** Notwithstanding our obligation to assess whether CFDs are appropriate for you depending on your circumstances (including knowledge, experience, and financial resources), this does not excuse you of the need of making your own consideration whether to trade CFDs or not. It is your responsibility to understand the risks involved with our products or services.

If we warn you that CFDs might not be appropriate for you, then you should refrain from trading and acquaint yourself with sufficient knowledge and experience by mean, for example, of our Demo Account.

**CFDs are not for long term investment:** CFDs are not suitable for long term investors. They require constant monitoring over a short period of time (minutes/hours/days) and maintaining a CFD position open overnight exposes you to greater risk and additional cost. The volatility of the financial markets, together with the extra leverage on your investment, can result in rapid changes to your overall investment position.

**CFDs investments are not suitable as income:** The inherent nature of CFDs makes them not suitable for an investor seeking an income from their investments, as the income from such investments may fluctuate in value in money terms. CFDs are speculative products: they allow investors to take advantage of prices moving up (long positions) or prices moving down (short positions) on all underlying financial instruments. They are often used by investors who wish to speculate or to hedge against exposure in their existing portfolio.

**No rights to the Underlying Assets:** The Client has no rights or obligations in respect of the underlying instruments or assets relating to the CFDs (i.e. ownership or voting rights when trading CFDs on Shares) and there is no delivery of the underlying instruments.

**Invest money you can afford to lose:** You should not invest in CFDs with money that you cannot afford to lose. Due to their nature of Leveraged Products, CFDs trading can result in the loss of all your invested capital. Therefore, they are suitable only for those investors who: (a) understand and are willing to assume the economic, legal and other risks involved, (b) are financially able to assume the risk of losses up to their invested capital and (c) understand and are knowledgeable about CFDs and the underlying assets, in particular during volatile markets.



Nonetheless, as a result of the Negative Balance Protection (“NBP”) you can lose all, but not more than your invested capital.

**You need to monitor your positions:** Because of the effect of leverage and because financial markets are significantly subject to fluctuations which may result in prices being very volatile, it is of the utmost importance that you monitor your positions closely. It is your responsibility to monitor your trades at all times.

One form of price volatility is ‘Gapping’, which occurs when there is a sudden shift in prices from one level to another. This can be caused, for example, by unexpected economic events or market announcements, within or outside trading hours. Consequently, the Company may be unable to execute your instructions at the requested price and this exposes you to **Execution Risk**.

**Margin Required:** Before you open a CFD with us, you will generally be required to deposit money with us – this is called “the Margin Requirement” or “Initial Margin”. This margin requirement will usually be proportion of the overall Contract value, depending on the leverage of the specific underlying instrument. Trading using ‘leverage’ can work for or against you in equal measure: a small price movement in your favour can result in a high return, but a small price movement against you may result in substantial losses.

At all times during which you have open positions, you must ensure that your account balance, amount in your Trading Account exceeds the Maintenance Margin in order to keep a Transaction open, otherwise if our price moves against you, you may need to deposit additional funds, at short notice, to maintain your open position(s). If you fail to do this, we will be entitled to close or partially close one, more or all of your trades (“Margin Close Out”) and you will be responsible for any losses that may be incurred.

**CFDs are Derivatives:** CFDs are not traded on any exchange. They are Over-The-Counter (“OTC”) products. Prices are set by the Company, subject to its obligation towards the Client, and may be different from prices reported elsewhere. As such, they may not directly correspond to real time market levels at the point in time at which the sale of the underlying occurs.

**Telephone Orders and Immediate Execution:** Market orders executed over the telephone through the Company’s Dealing Room are completed when the Company’s telephone operator says “deal” or “done” following the Client’s placing of an order. Upon such confirmation of the telephone operator, the Client has bought or sold and cannot cancel the order. By placing orders through the Company’s Dealing Room, the Client agrees to such immediate execution and accepts the risk of this immediate execution feature.

**Costs, Swap Value and Other Considerations:** Prior to investing in CFDs the Client needs to be aware of any costs involved, such as Spread(s), Commission(s) and Swap(s). For the purposes of this Notice, a swap means the interest added or deducted for holding a position open overnight. The swap for a position opened on Wednesday and held open overnight is three times that of other days; the reason for this is that the value date of a trade held open overnight on a Wednesday would normally be Saturday, but since banks are closed, the value date is Monday, and the client incurs an extra two (2) days of interest. From Friday to Monday swap is charged once. For further details regarding Commission, Fees and Charges please refer to our Terms & Conditions.

### 3.3. Fixed Income Securities

**Credit and counterparty risk:** By investing in a fixed income security, you are assuming full credit risk of the issuer and, where applicable, the guarantor. Credit risk is determined by the issuer’s and, where applicable, the guarantor’s credit capacity and creditworthiness and is therefore a measure of its/their solvency and ability to fulfil its/their payment obligations under the fixed income security. In the event that the issuer and/or guarantor becomes insolvent or defaults on its/their payment obligations, you may not receive repayment of your investment principal or any other amounts owing from the issuer and/or guarantor. A credit rating from a credit rating agency is not a recommendation or guarantee of the issuer’s/and or guarantor’s (where applicable) creditworthiness or of the risk, returns or suitability of the particular fixed

income security. You should also note that the credit rating of the issuer and that of the guarantor are separate and the rating of one could be very different from the rating of the other.

**Interest rate risk:** Fixed income securities are more susceptible to fluctuations in interest rates. In general, rising interest rates have a negative impact and sinking rates have a positive effect on their market values. The longer the tenor of a fixed income security, the more sensitive it is to interest rate changes.

**Events adjustment risk:** Depending on the terms of the specific fixed income security (set out in the offering documentation), the issuer or calculation agent (where applicable) may have certain rights to exercise its own discretion to make adjustments to the terms of the fixed income security where it determines that certain adjustment or extraordinary events have occurred (e.g. market disruption, trading suspension, regulation in the relevant industries, insolvency, changes in taxation law and other economic, political or social conditions) and the exercise of such rights may have an unforeseen adverse impact on the payments that you receive in relation to the fixed income security.

### 3.4. Equities

**Less predictable than debt securities:** Investing in equities provides the opportunity for a higher rate of return than investing in short term and longer-term debt securities. However, the risks associated with investments in equities may also be higher because the investment performance of equities depends upon factors which are difficult to predict including the possibility of sudden or prolonged market declines and risks associated with individual companies.

**Small and medium sized companies:** The prices of small and medium sized companies tend to be more volatile than larger-sized companies due to the lower price of their shares, greater sensitivity to changes in economic conditions and higher uncertainty over future growth prospects.

### 3.5. ETFs

Each ETF will be subject to the same key risks as those relating to the underlying securities or assets held in its portfolio. Please refer to the relevant sections in this risk disclosure statement for the specific key risks relating to investments in the underlying securities or asset classes held in the particular ETF.

### 3.6. Commodities

Commodities trading generally refers to any produce, item, goods, or article that can be the subject of any futures contract, forward contract, leveraged trading contract, contract made pursuant to trading in differences, spot trading contract, swaps, options, and other derivative transactions including any structured products, indices, rights and interests involving any combination of one or more of any of the above trading arrangements.

**Speculative nature of investment and high price volatility:** The market for and trading in commodities is speculative and is highly volatile. Prices for commodities are affected by a variety of factors, including changes in supply and demand relationships, governmental programmes and policies, national and international political and economic events, wars and acts of terror, changes in interest and exchange rates, trading activities in commodities and related contracts, weather and agricultural harvest, trade, fiscal, monetary and exchange control policies. The price volatility of each commodity also affects the value of the futures and forward contracts related to that commodity and therefore its price at any such time. The volatility of commodity prices is significant and often higher than for equity portfolios. The commodities markets are in most cases less liquid as compared to the markets of equity, interest, or currency-related products. Due to market movements, you may suffer a substantial or even a total loss of your investment.

### 3.7. Mutual Funds

Depending on the investment strategy of the particular fund, each fund will be subject to the same risk factors as those relating to the underlying securities or assets held in its portfolio. Please refer to the relevant sections in this document for the specific key risks relating to the type of underlying securities or assets held in the specific fund portfolios.

### 3.8. Options

When trading with options, you need to take into account the main characteristics and associated risks listed below.

**High risk nature of transactions:** Options transactions involve high risk. Before entering into any options transaction, you should carefully calculate the price which the underlying contract would have to reach for the option position to become profitable. Your calculations should factor in the sum of the premium and all other costs incurred in entering into and exercising or closing the option position or performing your obligations under the option. exercising any option results either in a cash settlement, or in the acquisition or delivery of the underlying contract.

**Buying options:** As a buyer of an option, you risk losing the total amount of your premium as well as any transaction costs incurred in the event that the market moves against your option position and such option expires worthless. In addition, you should be aware that in order to realise any value from your option, you will need to either to offset the option position or exercise the option. You should note that some option contracts provide only a limited period of time for exercise of the option while others provide for the exercise of the option only on a specified date. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable is usually remote. If the option is on a futures contract or leveraged foreign exchange transaction, you will have to acquire a futures or leveraged foreign exchange position, with associated liabilities for margin.

**Selling options:** The risks associated with selling (or “writing”) an option are generally greater than buying an option. As an option seller, you would be obliged to settle the option either in cash or through the acquisition or delivery of the underlying reference asset where the buyer exercises the option. If the option is on a futures contract or leveraged foreign exchange transaction, you will acquire a futures or leveraged foreign exchange position with associated liabilities for margin. Such risk may be mitigated to some extent (depending on the circumstances) if the option is “covered” by a corresponding position in the underlying contract (e.g. if the option seller already has a corresponding quantity of the relevant underlying reference asset at its disposal) or another option.

**Prior to buying or selling an option, investors must read a copy of the Characteristics & Risks of Standardized Options, also known as the Options Disclosure Document (ODD). It explains the characteristics and risks of exchange traded Options. To access the document click [here](#).**

### 3.9. Futures

#### ***JOINT DISCLOSURE STATEMENT OF THE NATIONAL FUTURES ASSOCIATION AND FINANCIAL INDUSTRY REGULATORY AUTHORITY REGARDING SECURITY FUTURES TRADING***

This disclosure statement discusses the characteristics and risks of standardized security Futures contracts traded on regulated U.S. exchanges.

#### ***COMMODITY FUTURES TRADING COMMISSION (“CFTC”) RISK DISCLOSURE***

The risk of loss in trading commodity Futures contracts can be substantial. You should, therefore, carefully consider whether such trading is suitable for you in light of your circumstances and financial resources.

#### ***STANDARDISED RISK DISCLOSURE FOR SECURITY FUTURES***

This disclosure statement discusses the characteristics and risks of standardized security Futures contracts traded on regulated U.S. exchanges. To access the full risk disclosure document click [here](#).

## 4. RISK DISCLOSURE STATEMENT FOR FUTURES AND OPTIONS

This brief statement does not disclose all of the risks and other significant aspects of trading in Futures and Options. In light of the risks, you should undertake such transactions only if you understand the nature of

the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. Trading in Futures and Options is not suitable for many members of the public. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

## 5. GENERAL RISK DISCLOSURE

**Market Risk** is the risk of losses in positions arising from movements in market prices. Market risk, also called "systematic risk," cannot be eliminated through diversification, though it can be hedged against. Sources of market risk include recessions, political turmoil, changes in interest rates, natural disasters and terrorist attacks. Financial markets may fluctuate rapidly to reflect events that are outside the control of the Company and/or the investor's control; as a result, prices will become volatile. One form of price volatility is 'Gapping', which occurs when there is a sudden shift in prices from one level to another. This can be caused, for example, by unexpected economic events or market announcements, within or outside trading hours. Consequently, the Company may be unable to execute your instructions at the requested price (which exposes you to Execution Risk, described hereinafter).

**Liquidity Risk** is the risk arising when a company or bank is unable to meet short term financial demands. This usually occurs when you hold a valuable asset that it cannot trade or sell at market value due to a lack of buyers, or due to an inefficient market where it is difficult to bring buyers and sellers together.

**Leverage Risk.** Leveraged trading means that potential profits are magnified, but losses are magnified as well. Leverage allows a Client to initiate trades of much larger nominal value without having to fund the whole amount. Instead a much smaller amount ('Margin') is used in order to initiate a trade. For example, 50:1 leverage, also known as 2% margin requirement, means \$2,000 of equity is required to initiate a trade on an instrument with a nominal value of \$100,000. The lower the margin requirement, the higher the risk of potential losses if the market moves against you. However, it should be noted that the Company operates on a 'Negative Balance Protection' basis; this means that you cannot lose more than your initial investment.

**Execution Risk** is associated with the fact that trades may not take place immediately. For example, there might be a time lag between the moment you place your order and the moment it is executed. In this period, the market might have moved against you. That is, your order is not executed at the price you expected.

**Timing Risk.** It is important that you monitor all of your positions closely. It is your responsibility to monitor your positions and during the period that you have any open Contracts or Transactions, you should always have the ability to access your Accounts.

**Currency Risk**, also known as Foreign Exchange Risk. It refers to the losses that an international financial transaction may incur due to currency fluctuations. If you trade in CFDs or if you invest in a market denominated in a currency other than your base currency, currency exchange fluctuations will impact your profits and losses.

**Credit Risk** is the risk of the counterparty's default, e.g. in the case of the debtor's insolvency. The credit standing of the debtor must therefore be considered in an investment decision. Credit ratings (assessment of the creditworthiness of a debtor) issued by independent rating agencies provide some guidance in this respect. The highest creditworthiness is "AAA". The lower the rating (e.g. "B" or "C") is, the higher is the repayment risk, but also the higher will be the yield (risk premium).

**Online trading risks.** When trading online, you should be aware that during periods of high internet traffic, you might experience delays in accessing account data due to system's capacity limitations. Additionally, system response times may be adversely affected by increased market volatility conditions, quote delays, system performance and other factors outside the control of the Company. During periods of increased volatility, you might suffer market losses in the price and share volume of a particular stock when systems problems result in an inability to place buy or sell orders.

**Other technical risks.** The Client is exposed to the risks of malfunction of equipment, software glitches, disruptions in telecommunications and power supply, failure or delays of the communication. As a result, it may become not possible to place an Order at a certain point in time or an Order may not be executed (in part or in full) or executed not in accordance with the Client's instructions. The Client is also exposed to the risks associated with unauthorized access of Third Parties to his/her Account and any actions taken by the unauthorized person using the Client's key and/or Password, IDs or Account number(s).

**Regulatory and Legal Risk.** The risk that a change in laws and regulations will materially impact a security and investments in a sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape and as such alter the profit potential of an investment. This risk is unpredictable and may vary from market to market. In emerging markets such risk may be higher than in more developed markets.

**Taxation Risk.** Clients bear their own responsibility for any taxes and/or any other duty which may accrue in respect of their investments.

**Client Money and Risk of Company's default.** All funds and currencies belonging to you ("Client Money") shall be held by us in a designated client money bank account; and are subject to a right of off-set for all liabilities that you owe to us. Designated client money is segregated from the assets of the Firm and is deemed client money for the purposes of the CySEC rules.

In the unlikely event of the Company suffering a financial default and not being able to meet its obligations, The Company participates in the Investor Compensation Fund for clients of Investment Firms regulated in the Republic of Cyprus. The Client will be entitled to compensation under the Investor Compensation Fund where the Company is unable to meet its duties and obligations arising from the Client's claim. Any compensation provided to the Client by the Investor Compensation Fund shall not exceed twenty thousand Euro (EUR 20.000). This applies to the Client's aggregate claims against the Company.

**Recommendations are not guaranteed.** The generic market recommendations of the Company are based upon information believed to be reliable, but the Company cannot and does not guarantee the accuracy or completeness thereof or represent that following such generic recommendations will reduce or eliminate the risk inherent in investing.

**No guarantees of profit.** There are no guarantees of profit nor of avoiding losses when investing. The Client has received no such guarantees from the Company or from any of its representatives. The Client is aware of the risks inherent in investing and is financially able to bear such risks and withstand any losses incurred.

The following table summarizes the main risks involved when trading our products:

INSTRUMENT	RISK						
	MARKET	CREDIT	COUNTERPARTY	LIQUIDITY	EXCHANGE RATE	LEVERAGE	OPERATIONAL
SHARES	x	x		x	x	(1)	x
BONDS	x	x		x	x	(1)	x
MUTUAL FUNDS	x	x		x	x	(1)	x
CFDs	x	x	x	x	x	x	x
CFDs FOREX	x	x	x	x	x	x	x
FUTURES	x			x	x	x	x
OPTIONS	x	(2)	x	x	x	x	x
WARRANTS	x		x	x	x	x	x

(1) in the account on TWS with our Financial Intermediary it is applied as it is a margin account; there is leverage in transferable securities such as shares, bonds and investment funds.

(2) in the case of OTC Options, there is the counterparty risk.

## 6. ELECTRONIC TRADING AND ORDER ROUTING SYSTEMS RISK DISCLOSURE STATEMENT

Electronic trading and order routing systems differ from traditional open outcry pit trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the exchanges offering the system and/or listing the contract. You are responsible for directing your trading in accordance with the relevant policies, procedures and trading rules of the exchanges or systems to which your orders are routed. Before you engage in transactions using an electronic system, you should carefully review the rules and regulations of the exchanges offering the system and/or listing the instruments you intend to trade.

**Differences among electronic trading systems:** Trading or routing orders through electronic systems varies widely among the different electronic systems. You should consult the rules and regulations of the exchange offering the electronic system and/or listing the contract traded or order routed to understand, among other things, in the case of trading systems, the system's order matching procedure, opening and closing procedures and prices, error trade policies, and trading limitations or requirements, and, in the case of all systems, qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times, and security. In the case of Internet-based systems, there may be additional types of risks related to system access, varying response times and security, as well as risks related to service providers and the receipt and monitoring of electronic mail.

**Risks associated with system failure:** Trading through an electronic trading or order routing system exposes you to risks associated with system or component failure. In the event of system or component failure, it is possible that, for a certain time period, you may not be able to enter new orders, execute existing orders, or modify or cancel orders that were previously entered. System or component failure may also result in loss of orders or order priority.

**Simultaneous open outcry pit and electronic trading:** Some contracts offered on an electronic trading system may be traded electronically and through open outcry during the same trading hours. You should review the rules and regulations of the exchange offering the system and/or listing the contract to determine how orders that do not designate a particular process will be executed.

**Limitation of liability:** Exchanges offering an electronic trading or order routing system and/or listing the contract may have adopted rules to limit their liability, the liability of TCMs and software and communication system vendors, and the amount of damages you may collect for system failure and delays. These limitations of liability provisions vary among the exchanges. You should consult the rules and regulations of the relevant exchanges in order to understand these liability limitations.

**Internet services:** To the extent that Customer or Company or any other party involved in the placement and/or transmission and/or execution of an order use Internet services to transport data or communications, the Company disclaims any liability for interception of any such data or communications. The Company is not responsible, and makes no Warranties regarding, the access, speed, availability or security of Internet or network services.