



## **RISK DISCLOSURE POLICY**

**EXENICO (CY) LTD**

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| <b>Company Number:</b>     | <b>HE 360960</b>   |
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This Risk Disclosure Policy (the “**Policy**”) provides a non-exhaustive list of the risks associated with derivative products trading, in particular CFD trading, and other significant aspects related to such products. This notice cannot explain all of the risks associated with CFD trading nor how such risks relate to your personal circumstances.

The Company’s products and services are provided on an execution-only basis– you are solely responsible for any decisions that you make in relation to the Company’s products and services. You should not regard any of the information that the Company provides to you as an investment recommendation or an offer to make a transaction.

**Investing in CFDs carries risks and you should be aware of these. You should not deal in CFDs and other derivatives unless you understand the nature of the contract you are entering into and the extent of your exposure to the risks involved. You should also be satisfied that the contract is appropriate for you in the light of your circumstances and financial position.**

Whilst derivatives instruments can be utilised for the management of risk, some investments may not be appropriate for everyone. Different instruments involve different levels of exposure to risk, and in deciding whether to trade in such instruments, you should be aware of, amongst others, the following points:

- (a) **CFDs are complex instruments and come with a high risk of losing all your money rapidly due to leverage.**
- (b) **The vast majority of retail investor accounts lose money when trading CFDs. You should consider carefully whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.**
- (c) In addition to standard industry disclosures contained in the Terms and Conditions, you should be aware that **CFDs are some of the riskiest forms of investment available in the financial markets and are only appropriate for sophisticated individuals and institutions.**
- (d) **Professional Clients and Eligible Counterparties may sustain losses in excess of deposits.**
- (e) **Given the possibility of losing an entire investment, any additional funds deposited to maintain your position(s) speculation in CFDs should only be conducted with risk capital funds that you can afford to lose.**
- (f) If you have pursued only conservative forms of investment in the past, you may wish to study CFDs and their underlying instruments further before continuing an investment of this nature. **You must also realise that the risk in buying CFDs means you could lose the entire investment.** If you wish to continue with your investment, you acknowledge that the funds you have committed are purely risk capital and loss of your investment will not jeopardise your style of living nor will it detract from your future retirement program. Additionally, you acknowledge that you fully understand the nature and risks CFDs and their underlying instruments, and your obligations to others will not be neglected should you suffer investment losses.

- (g) **When trading CFDs with the Company, you are not entitled to:**
- **ownership of the underlying asset of such a contract,**
  - **the physical delivery of the underlying instrument of the CFDs you are trading,**
  - **any rights (including voting rights) in the underlying instrument.**
- (h) Positions opened with us are not traded on any exchange. The transactions are undertaken over-the-counter (“**OTC**”) and, as such, they may expose the Client to greater risks than regulated exchange transactions. The prices and other conditions are set by us, subject to any obligations we have to provide best execution, to act reasonably and in accordance with the Company’s Terms and Conditions and our Order Execution Policy. Each CFD trade that you open through the Company results in you entering into a contract with us; these contracts can only be closed with us and are not transferrable to any other person.
- (i) **Liquidity Risk.** While some OTC markets are highly liquid, transactions in OTC or “non-transferable” derivatives may involve greater risk than investing in on-exchange derivatives because there’s no exchange market on which to close out an open position. Some of the CFD underlying assets may not become immediately liquid as a result of reduced demand for the underlying asset. As such, the Client may not be able to liquidate an open position, obtain the information on the value of these or the extent of the associated risks arising from an OTC derivative transaction or to assess the exposure to risk. You should not deal in OTC derivative products unless you understand their nature and the extent of your exposure to risk.
- (j) **Foreign markets and Currency Risk.** Foreign markets involve different risks from domestic markets. In some cases, risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign currency will be affected by fluctuations in foreign exchange rates. Such enhanced risks include the risks of political or economic policy charges in a foreign media, which may substantially and permanently alter the conditions terms, marketability or price of a foreign currency.
- Investing in FX Contracts and CFDs with an underlying asset listed in a currency other than your base currency entails a currency risk, due to the fact that when the CFD or FX Contract is settled in a currency other than your base currency, the value of your return may be affected by its conversion into the base currency. Any changes in the exchange rates may have a negative effect on the financial instrument’s value, price and performance, and may lead to losses for the Client.
- (k) **Risk reducing orders or strategies.** The placing of certain orders (e.g. “stop loss” or “stop limits” orders) that are intended to limit losses to certain amounts are not guaranteed may not always be effected because market conditions or technological limitations may make it impossible to execute such orders. If there are instances of illiquidity, slippage or the market gaps up or down, your exit price could deviate significantly from your intended stop-loss price. Strategies using combinations of positions such as “spread” and “straddle” positions, may be just as risky or even riskier than simple “long” or “short” positions.

- (l) **Prices.** The prices posted on the Company's Website may not necessarily reflect the broader market. We will select closing prices to be used in determining Margin requirements and in periodically marking to market the positions in customer accounts. Although we expect that these prices will be reasonably related to those available on what is known as the interbank market, prices we use may vary from those available to banks and other participants in the interbank market. Consequently, we may exercise considerable discretion in setting margin requirements and collecting margin funds.
- (m) **Performance calculation.** Unlike in the case of direct investment in underlying assets such as shares, bonds or commodity futures, in cases of CFDs you are subject to an exponentiated market risk; market risk is the possibility of a client experiencing losses due to factors that affect the overall performance of the financial markets in which the client is involved. Controlling such risk requires a specific kind of expertise and trading experience. In addition, the margin held by you on your CFD account amounts to just a fraction of the value of the corresponding underlying asset of the CFD when high leverage is applied. The higher the leverage, the smaller the fraction of the underlying asset's value to be put down and the smaller the part of the underlying's price fluctuation range covered by your margin.
- (n) **Volatility risk.** Some derivatives such as CFDs trade within wide intraday ranges with volatile price movements. Therefore, the Client must carefully consider that there is a high risk of losses as well as profits. The price of derivative financial instruments is derived from the price of the underlying asset in which the derivative financial instruments refer to. Derivative financial instruments and related underlying markets can be highly volatile. The prices of derivative financial instruments and the underlying asset may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the Client or the Company.

Under certain market conditions, it may be impossible for a Client's order to be executed at the declared prices, leading to losses. Due to market conditions which may cause any unusual and rapid market price fluctuations, or other circumstances, the Company may be unable to close out Customer's position at the price specified by Customer and the risk controls imposed by the Company might not work and Customer agrees that the Company will bear no liability for a failure to do so.

Changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic vents, and the prevailing psychological characteristics of the relevant market place are factors which, among other things, influence the prices of derivative financial instruments and the underlying asset.

In times of high volatility or market/economic uncertainty, values may fluctuate significantly. Such fluctuations are even more significant in case of leveraged positions and may adversely affect your positions. In the event of default, your positions may be closed out.

- (o) **Client Money and Counterparty Risk.** Any money that we hold on your behalf are kept in one or more segregated accounts with an institution within or outside the European Economic Area, separated from the Company's money. It is noted that the legal and regulatory regime applying to any financial institution outside Cyprus or the EEA will be different to that of Cyprus.

However, where we are unable to meet our duties and obligations arising from your claim, you may benefit from the Investor Compensation Fund. The Company participates in the Investor Compensation Fund for clients of investment firms regulated in the Republic of Cyprus. Certain clients will be entitled to compensation under the Investor Compensation Fund where the Company is unable, due to its financial circumstances and when no realistic prospect of improvement in the above circumstances in the near future seems possible.

- (p) **Weekend risk.** Various situations, developments or events may arise over a weekend when the currency markets generally close for trading, that may cause the currency markets to open at a significantly different price from where they closed on Friday afternoon. Our customers will not be able to use the Company's Online System to place or change orders over the weekend and at other times when the markets are generally closed. There is a substantial risk that stop-loss orders left to protect open positions held over the weekend will be executed at levels significantly worse than their specified price.

- (q) **Electronic trading.** Trading in OTC contracts through the Company's Online System may differ from trading on other electronic trading systems as well as from trading in a conventional or open market. Customers that trade on an electronic trading system are exposed to risks associated with the system including the failure of hardware and software and system down time, with respect to the Company's Online System, the individual customer's systems, and the communications infrastructure (for example the internet) connecting the platform with customers. Since the Company does not control signal power, its reception or routing via Internet, configuration of your equipment or reliability of its connection, we cannot be liable for communication failures, distortions or delays when trading via the Internet. The Company employs backup systems and contingency plans to minimize the possibility of system failure, and trading via telephone is available.

- (r) **High Leverage and Low Margin Risk**  
The high degree of "leverage" is a particular feature of CFD Contracts. Trading risks are magnified by leverage.

The effect of leverage makes investing in CFDs riskier than investing in the underlying asset, due to the margining system applicable to CFDs, which generally involves a small deposit relative to the size of the transaction, so that a relatively small price movement in the underlying asset can have a disproportionately dramatic effect on your position. This can be both advantageous and disadvantageous.

A small price movement in your favour can provide a high return on the deposit, however, a small price movement against you may result in significant losses. If you are a retail client, your losses will never exceed the balance of your account, which is

balanced to zero, if the losses are higher than the amount deposited. Such losses can occur quickly. The greater the leverage, the greater the risk. The size of leverage therefore partly determines the result of the investment.

It is noted that leverage restrictions apply with respect to retail CFD accounts, ranging from 1:2 to 1:30, depending on the underlying instrument.

In the event that margin levels fall below the stop-out threshold, the Company will liquidate open positions to prevent further losses. For Professional Clients, losses may exceed deposits and negative balance protection does not apply. Detailed liquidation procedures are governed by the Company's Liquidation Policy.

- (s) **Contingent liability transactions**, which are margined, require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately. Clients must maintain the minimum margin requirement on their open positions at all times. It is Customer's responsibility to monitor his/her open positions. Retail clients could sustain a total loss of deposited funds but are not subject to subsequent payment obligations, but professional clients and eligible counterparty clients could sustain losses in excess of deposits. If the market moves against you, you may be called upon to pay substantial additional Margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and professional clients and eligible counterparties will be liable for any resulting deficit. Even if the Transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered into the contract. Contingent liability transactions, which are not traded on or under the rules of a recognised or designated investment exchange, may expose you to substantially greater risks.
- (t) **Collateral (professional clients and eligible counterparties only)**. you deposit collateral as security, you should ascertain how your collateral will be dealt with. Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets, which you deposited and may have to accept payment in cash.
- (u) **Conflict of Interest**  
The Company takes all reasonable steps to identify and prevent or manage the conflicts of interest arising in relation to its business lines and its group's activities under a comprehensive Conflicts of Interest Policy. The disclosure of conflicts of interest by the Company should not exempt it from the obligation to maintain and operate the effective organisational and administrative arrangements. For more information on (potential) conflicts of interest and the mitigation measures taken by the Company, kindly refer to the Company's Conflicts of Interest policy at [www.exenico.com](http://www.exenico.com).
- (v) **Commissions and Taxes**. Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a dealing spread), you should obtain

a clear written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms.

The Client is responsible for any taxes and/or any other duty and/or fee and/or expenses which may accrue in respect of his/her trades. The Client is responsible for managing his/her tax and legal affairs and complying with applicable laws and regulations. The Company does not provide any regulatory, tax or legal advice and if the Client has any doubt regarding the tax treatment or liabilities of investment products which are available through the Company, he/she should seek independent advice.

- (w) **Insolvency.** Any insolvency or default may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets, which you lodged as collateral (for professional clients) and you may have to accept any available payment in cash.
- (x) **Appropriateness Risk Assessment.** Upon the opening of your account, the Company shall carry out an assessment of your appropriateness to trade CFDs and determines, based on information you provide us with, if you have sufficient knowledge and experience to understand the risks involved in CFD trading. The assessment does not relieve you of the need to carefully consider whether to trade or not CFDs with us. If we warn you that trading these instruments may not be appropriate for you, then you should refrain from trading CFDs until you gain sufficient knowledge and experience. You could, for example, trade CFDs on a Demo Account prior to trading them in a live environment to be sufficiently acquainted with the relevant risks incurred.

You hereby acknowledge that you have read, understood and accept without any reservation all the information provided in this document, including that:

- (a) The value of CFDs and other derivative products may fluctuate, and it is possible that your investment may become of no value, losing all your invested capital.
- (b) Professional Clients and Eligible Counterparties may sustain losses in excess of deposits.
- (c) Any transactions entered into with the Company involves transactions in financial instruments not admitted to trading in a Regulated Market or an MTF. Instead, they are executed 'over-the-counter'. This means that these transactions may pose higher risks to the You compared to regulated exchange transactions.
- (d) Information on past performance of a CFD contract and/or any other investment does not guarantee the present and/or future performance. The use of historic data does not constitute a binding or safe forecast as to the corresponding future return of the return of your investment to which such data refers.
- (e) Some financial instruments may not become immediately liquid due to various reasons such as reduced demand and the Company may not be in a position to sell them or easily obtain

information on the value of such financial instruments or the extent of any related or inherent risk concerning such investments.

- (f) When a financial instrument is negotiated in a currency other than the currency of your client account, any changes in the exchange rate may have a negative effect on the financial instrument's value, price and performance.
- (g) A financial instrument in foreign markets may entail risks different than the usual risks in the markets at the client's country of residence. The prospect of profit or loss from transactions in foreign markets is also influenced by the exchange rate fluctuations.

If you have any questions about this Policy please contact us via email at [info@exenico.com](mailto:info@exenico.com).