RISK NOTICE FOR TRADING CFDS

“The document that provides guidance on and warnings of the risks associated with trading and/or investing in the financial instruments offered by the Company in the context of providing investment and/or ancillary services”

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1. Introduction

1.1. X GLOBAL Markets Ltd (hereinafter called the "Company") is a Cyprus Investment Firm incorporated under the laws of Cyprus, which has its principal place of business at 162, Fragklinou Rousvelt, 1st Floor, CY-3045 Limassol and registered with the Registrar of Companies in Nicosia under the number HE 291958. The Company is regulated by the Cyprus Securities and Exchange Commission as a Cyprus Investment Firm (CIF) under the License Number 171/12. The *Risk Notice* for trading CFDs (hereinafter called the "*Notice*") is provided to Clients or potential clients in accordance with the provisions of the Investment Services and Activities and Regulated Markets Law of 2017 (No. 87(I)/2017), implementing Directive 2004/39/EC of the European Parliament and of the Council on Markets in Financial Instruments ("MiFID") as amended by the Directive 2006/31/EC of the European Parliament and of the Council and the Markets in Financial Instruments Directive II ("MiFID II") 2014/65/EU.

1.2. The *Notice* is an integral part of the *Client Agreement*, which constitutes an integral part of the *Collective Agreement*; the interpretation of the term *Collective Agreement* is set out in the *Client Agreement* (the agreement that constitutes the basis on which the Company provides investment services and activities and ancillary services to the Client; such agreement can be found online under the *Legal Information* section at http://www.xglobalmarkets.com). The interpretation of terms used in the *Notice* is set out in section 2 of the Client Agreement ("Interpretation of Terms"). The definition of other terms used in the *Notice* is set out in the aforementioned Law and/or in the applicable legislation and may also be provided in the Client Agreement and/or in the *Notice*; such terms have quote marks. Terms without quote marks that are not interpreted in the Client Agreement and/or in the *Notice* shall have the meaning attributed to them in the aforementioned Law and/or in the applicable legislation.

1.3. The aim of the Company is to provide in a comprehensible form appropriate guidance on and warnings of the risks associated with trading and/or investing in the financial instruments offered by the Company in the context of providing the investment and/or ancillary services that is licensed to provide (details of the said services are provided by the Cyprus Securities and Exchange Commission online at http://www.cysec.gov.cy). To this end, the *Notice* is given on the basis that such trading and/or investing relates to trading contracts for difference ("CFDs"). It should be noted that the *Notice* does not include all the risks and/or other aspects involved in trading CFDs and it should not be considered as investment advice or recommendation for the provision of any service or investment in CFDs.

1.4. The Client or potential client should not trade CFDs unless he/she is fully aware of all the risks and/or other important aspects involved and the level of his/her personal exposure to

such risks. In case of uncertainty as to the meaning of the guidance on and warnings of the risks included on the *Notice*, the Client must seek an independent legal and/or financial advice before taking any investment decision.

2. Guidance

2.1. The Client or potential client needs to ensure that his/ her investment decision is made on an informed basis taking into consideration the interaction of several factors. Such factors include but are not limited to understanding the nature (i.e. characteristics and associated risks) of the financial instrument in question (i.e. CFD) and the Client's or potential client's desired exposure to the relevant risks; such exposure depends on the Client's or potential client's unique circumstances including but not limited to his/her experience in trading CFDs, his/her financial position and his/her investment objectives.

2.2. A contract for difference (CFD) is a complex financial instrument, a financial derivative, a contract between two parties, typically described as "buyer" and "seller", stipulating that the seller will pay to the buyer the difference between the current value of an asset and its value at contract time (If the difference is negative, then the buyer pays instead to the seller). In effect, a CFD is an agreement to either buy or sell a contract that reflects the performance of its underlying financial instrument or asset; such financial instruments or assets include, amongst others, spot foreign exchange, equities, spot precious metals and futures; the profit or loss of the position is determined by the difference between the price a CFD is bought at and the price it is or can be sold at and vice versa. This financial derivative allows traders to take advantage of prices moving up (long positions) or prices moving down (short positions) of the underlying financial instrument or asset and is often used to speculate on those markets. For example, when applied to spot foreign exchange (i.e. when the underlying financial instrument is a currency pair), such a contract is a foreign exchange derivative that allows traders to speculate on the movement of the currency pair in question, without the need for a physical conversion.

2.3. CFDs are non-standardized contracts meaning that each CFD provider (i.e. broker/dealer) can specify their own contract specifications. As non-standardized derivative contracts CFDs are usually traded in the so-called over-the-counter (OTC) derivatives markets; meaning that trading takes place on a bilateral basis (i.e. contracts are traded and privately negotiated directly between two parties) outside a regulated market or an MTF albeit on an organized, frequent and systematic basis. To this end, the CFD broker/dealer provides a system accessible to third parties in order to engage in bilateral dealings with them. In such bilateral contracts, each party should have counterparty-credit risk concerns with respect to the other party. Notwithstanding the existence of exchange-traded CFDs, the Company's CFD offering is on the basis of systematic OTC trading.

2.4. A CFD on a particular financial instrument or asset is initiated by making an opening trade

with the CFD broker/dealer; this creates a position in that financial instrument or asset. At this point Clients and potential clients should be reminded that the Company, for the purpose of transmitting Client orders for execution, acts as an agent on behalf of the Client. Particularly, upon acceptance of a Client order to trade CFDs, the Company shall only be liable for the due transmission of the order to a third party having the ability to execute such order; therefore, the Company shall not be held liable for any act or omission or for the insolvency or for the default of any counterparty, bank, custodian or other third party with or through whom transactions on behalf of the Client are carried out (please refer to the "Terms and Conditions for trading CFDs").

2.5. In regard to CFD trading there are no expiry dates so a position is closed when a second reverse trade is done between the same two parties. At such time the monetary difference between the opening trade and the closing trade is realized and paid or received as closed profit or loss; therefore, such closed profit or loss is included in the balance of the trading account. The CFD broker/dealer may charge several fees and/or commissions at opening and/or at closing and/or whilst the position is opened. Notwithstanding the general existence of rollover fees charged on CFD positions held overnight, the Company provides such rollover at zero cost. However, for certain CFD positions that remain open for a period greater than ten (10) calendar days the Company will charge a storage fee. A full list of the CFDs available for trading along with the relevant fees and/or commissions is provided online under the *Trading Conditions* section (tab named *Contract Specifications*) on the Company's website.

3. Clients and potential clients are informed of the following risks that apply when trading CFDs:

3.1. Price risk: The risk of losses in positions arising from movements in the prices of the traded financial instruments. The value of any investment in financial instruments may fluctuate downwards or upwards for a variety of reasons over the investment horizon and there is a great risk of incurring losses and damages as a result of the purchase and/or sale of any financial instrument; it is even probable that the investment may become of no value. Price risk is determined by the interaction of two sources of risk, systematic and non-systematic risk.

3.2. Systematic risk (also called aggregate or market risk): The risk that arises from the market structure or dynamics which produce shocks or uncertainty faced by all agents in the market; such shocks could arise from government policy, economic forces, or even acts of God and have a great influence on general market psychology and associated investment decisions and actions (therefore non-identical financial instruments carry non-identical levels of exposure to systematic risk). To the extent that CFDs are financial derivatives, meaning that their performance is dependent on the price movement of the underlying financial instrument or asset, positions in CFDs are definitely exposed to practically the same level of exposure to systematic

risk carried by the underlying financial instrument or asset.

3.3. Non-systematic risk (also called specific or unique risk): The risk to which only specific agents or industries (and therefore specific financial instruments or assets) are vulnerable. In the equity market such risk could arise, for example, from a specific (i.e. unique) corporate event affecting the psychology and associate investment decisions and actions of specific market participants that trade specific financial instruments. Such risk is generally uncorrelated with broad market movements. Again, to the extent that the prices of CFDs are derived from the prices of the underlying financial instruments or assets, positions in CFDs are definitely exposed to practically the same level of exposure to non-systematic risk carried by the underlying financial instrument or asset. Due to the idiosyncratic nature of unsystematic risk, it can be reduced or even essentially eliminated through portfolio diversification; in contrast to systematic risk, which, in general, cannot be diversified away. For this reason this risk is sometimes called diversifiable or residual risk, meaning that it can be diversified away in the context of a diversified portfolio of financial instruments (i.e. it is diversifiable) and that it represents the price risk that remains once systematic risk has been quantified and isolated (i.e. it is residual).

3.4. Forecasting risk (also called model risk): The uncertainty and/or inaccuracy and/or bias involved in using plain historical returns and/or analysing such returns using financial and/or other modelling for the purpose of forming expectations and/or making forecasts in regard to the future performance of financial instruments or assets. It is expressly stated that information related to the previous performance of a financial instrument or asset does not guarantee its current and/or future performance. The use of historical data in any context does not constitute a reliable forecast of the future performance of the financial instrument in question.

3.5. Counterparty-credit risk: The risk of loss due to the failure of counterparty to fulfil its obligation. Holding other things constant, credit risk is directly related to time (i.e. the longer the duration of a deal the greater the risk). As aforementioned, when trading CFDs with the Company, the client is entering into a bilateral (i.e. OTC) transaction; in effect, any position opened cannot be closed through any other entity. Such OTC transactions generally expose the parties involved in greater counterparty-credit risk compared to transactions made on regulated markets where a central counterparty (i.e. a clearing entity) ultimately stands between the two parties and legally assumes the counterparty-credit risk. It is highlighted that a CFD may have little or no value regardless of the performance of the underlying instrument if one of the counterparties to a CFD trade defaults, either partially or fully, in meeting its obligations.

3.6. Leverage risk: The risk pertaining to the fact that CFDs, as financial derivatives, are traded on margin meaning that the Client can devote only a fraction of the account's value to be used as collateral in order to open leveraged positions (i.e. positions whose size implies the

possibility of losing a larger amount of money compared to the initial deposit). Due to the highly leveraged nature of CFD trading which interrelates with the level of margin requirements, Clients enjoy greater benefits compared to traditional cash trading as a relatively small price movement may lead to a proportionately larger movement in the value of the CFD position; unfortunately, such leveraged nature exposes the Client to a significantly greater risk of loss. Special attention should be given to the fact that the Client needs to ensure that he/ she has sufficient margin on his/ her trading account, at all times, in order to maintain an open position. In addition, the Client needs to monitor his/her open positions in order to avoid positions being closed due to the unavailability of sufficient funds; in effect, such unavailability increases **liquidation risk** which is the risk of a forced closure of a position which could eventually have been a profitable one if sufficient funds were made available in good time. The Company is not responsible for notifying the Client for any such instances. At Margin level equal or less than 100% the Company will automatically begin closing positions at market prices, starting from the most unprofitable one and the Client is liable for any resulting negative equity (the Client remains liable for any negative equity irrespective of the reason[s] for which such equity became negative). Further information on margin requirements per CFD is provided online under the *Trading Conditions* section (tab named *Contract Specifications*) on the Company's website.

3.7. High volatility risk: The risk of trading under market conditions, which are highly uncontrollable by market participants (including the Company and the Client). Under abnormally high volatility (i.e. under non-typical or unusual conditions; conditions that deviate from normal as a result of unexpected/unforeseen events, unexpected news announcements et cetera), prices of CFDs and other financial instruments may fluctuate rapidly. As a result, the Company might be unable to transmit for execution or execute the Client's order(s) at the declared price(s) and a stop loss order cannot guarantee to limit the Client's losses at the intended amount. This can also happen under normally high volatility (i.e. under typical or usual conditions; conditions that were expected as a result of expected events, expected news announcements et cetera); however, to the extent that such conditions can be fairly anticipated by market participants, high volatility risk is somehow reduced.

3.8. Taxation risk: Although in general no capital gains taxes are involved in trading CFDs since such trading does not involve taking physical delivery of the underlying financial instrument or asset, independent tax advice should be sought, if necessary, to establish whether a client is subject to any tax. The liability for the payment of any taxes lies on the client.

3.9. Event risk (related to the Company's trading system, the provision of electronic services, internet service, electricity and telecommunications): The risk of any technical failure, impediment, disruption or delay

that relates to the Company's trading system, electronic services including the trading platform(s) and the Client terminal(s), electricity and/or telecommunication issues and Internet service issues/problems. Clients and potential clients must understand that the Company is not an internet service or electricity or telecommunications provider; consequently, the Company is not responsible for any failure, impediment, disruption or delay in providing investment and/or ancillary services under the Collective Agreement, if such failure, impediment, disruption or delay arises as a direct or an indirect result of an internet service or electricity or telecommunications failure. In addition, the Client understands and accepts that the only reliable source of Market (including price) related information is provided through the trading platform and, in particular, through the Client terminal that is connected with the Company's Real (i.e. Live) Server and with the Company's trading system; this Market (including price) related flow of information has the potential of being disrupted and/or cut, consequently, such information might not even reach the Client. Further, the Company bears no responsibility for any loss and/or damage that arises as a result, amongst others, of its trading system's and/or other system's failure, including but not limited to hardware or software failure, malfunction or misuse either on the Client's side or the Company's side or both, poor internet connection either on the Client's side or the Company's side or both, incorrect settings in the Client terminal and delayed and/or disrupted updates of the Client terminal. Furthermore, the Client understands and accepts that at times of excessive (i.e. immoderate) transaction flow, including times of abnormally or even normally high volatility, some delays may be incurred in contacting the Company; in such cases, the Company bears no responsibility for any loss and/or damage that may arise as a result of such delays.

3.10. Liquidity risk: The risk stemming from the general lack of marketability and/or from the lack of marketability during market conditions of abnormally and/or normally high volatility, as defined and explained above, of a financial instrument or asset that cannot be bought or sold quickly enough to prevent or minimize a loss. Liquidity risk becomes particularly important to Clients who are about to hold or currently hold an asset, since it affects their ability to trade. Clients or potential clients should be aware that the placement and/or execution of contingent orders, such as stop-loss orders, would not necessarily limit losses to the intended amounts, as it may be impossible to execute the orders under such market conditions.

3.11. Foreign exchange risk: The risk related to adverse movements in exchange rates. Changes in the exchange rates may negatively affect the value, price and/or performance of the financial instruments traded in a currency other than the Client's balance currency.

3.12. Regulatory Risk: The risk that a transaction could conflict with current legislation or an adverse change in legislation during the life of a transaction (i.e. during the life of a position in a financial instrument). The Client

must be warned that CFDs (amongst other financial instruments) are not eligible for trading in certain jurisdictions; therefore, any offer and/or invitation and/or solicitation to trade CFDs and/or any disclosure and/or any notice and/or any warning related to CFDs, including this one, on the part of the Company is not directed to any jurisdiction where its acceptance, distribution, publication or availability would be contrary to local laws or regulations.

4. Clients and potential clients are informed of the following risks that apply when trading CFDs on virtual currencies (ex. Crypto currencies):

4.1. Market Risk of trading in crypto related CFDs

CFDs on Bitcoins and/or other Cryptocurrencies shall be traded like any other financial instrument currently available on the Company's trading platform(s). Having said that, market risk warnings in relation to such CFDs are presented under full transparency in the Company's legal documentation titled "Risk Notice", which is disseminated to clients during the account opening process and is always available to them through the Company's website.

4.2. Idiosyncratic Risks associated with cryptos and abnormal price fluctuations of cryptocurrencies

Adequate risk warnings shall be disseminated to the interested clients and/or potential clients regarding the lack of regulation over Bitcoin and/or other Cryptocurrencies, instability and volatility of the price of such assets as well as the factors that may determine sudden movements in the price fluctuations of the cryptocurrencies, in order to alert and protect investors, prior to entering into transactions related to the price value difference of the Bitcoin and/or other Cryptocurrencies, against other traditional/fiat currencies. Stricter margin call levels shall be implemented when dealing with such transactions as well as limitation on the leverage allowed for opening such positions involving Bitcoins and/or other Cryptocurrencies.

Moreover, the Company has in place a negative protection policy as well as the necessary settings on the platform which will not allow clients to lose more than their invested capital. Levels of protection can be elevated in the case of Bitcoin and/or other Cryptocurrencies related trading activities.

4.3. Risks associated to the potential high degree of anonymity of Bitcoin and/or other Cryptocurrencies

The reasons behind the controversy created around the Bitcoin and/or other Cryptocurrencies, related to the risks for becoming a suitable monetary alternative for drug dealing and money laundering it's understandable. The Company wishes to clarify that actual payments in any cryptocurrencies will NOT be accepted by the Company. The Company will apply the same level of strictness in applying its due diligence procedures as applied to all other high risk clients.

4.4. Other Risks

It goes without saying that trading in CFDs on cryptos is subject to other risks which are common to CFD investing on an

OTC basis. Such risks (systemic/non systemic risk, taxation risk, counterparty-credit risk, forecasting risk, leverage risk etc.) are fully explained in the Company's Risk Notice.

5. Monitor and Review

5.1 The Company will, on a regular basis, monitor and assess the effectiveness of this Policy and, where appropriate, the Company reserves the right to correct any deficiencies in this document and make the relevant improvements.

5.2 The Company will notify any Customers affected by material changes in its Risk Notice or order execution arrangements.