

Risk Disclosure Notice



FXNET Limited is a Cypriot Investment Firm; authorized and regulated by CySEC under license No. 182/12

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1. Introduction

FXNET Limited (the 'Company') is a Cypriot Investment Firm (CIF) which is authorized and regulated by the Cyprus Securities and Exchange Commission ('CySEC'), under license number 182/12, incorporated and registered under the laws of the Republic of Cyprus (Certificate of Incorporation No. 300624), registered office at 4 Theklas Lysioti St, Harmony House, Office 31, 3rd floor, 3030 Limassol, Cyprus.

2. Scope

- 2.1** The Risk Disclosure Notice (the 'Notice') is provided by the Company to its Clients in order to help them to understand the risks that may arise when trading Contract for Difference (CFDs). However, the Client needs to bear in mind that the Notice does not contain all the risks and aspects involved in trading CFDs.
- 2.2** The Notice is provided to the Client in accordance with the provisions of the Cyprus Investment Services and Activities and Regulated Markets Law of 2007 and in accordance with the Markets in Financial Instrument Directive (MiFID) of the European Parliament and Council.
- 2.3** The Client should carefully read the Notice in conjunction with the Company's Terms and Conditions of Use, the Order Execution Policy and all the other documentation and information available on the Company's Website.
- 2.4** The Client needs to ensure that any decision to engage in trading CFDs is made by him/her on an informed basis and considering his/her knowledge and experience as well as to his/her personal circumstances (including but not limited to his/her financial situation). In addition, the Client needs to ensure that he/she understands the nature of CFDs and the extent of all risks and aspects involved in trading CFDs.
- 2.5** CFDs are leveraged financial products and therefore as such, trading CFDs involves a high risk of loss as price movements are influenced by the amount of leverage the Client is using. Nonetheless, as a result of the 'Negative Balance Protection' the Client cannot lose more than he/she has initially invested.
- 2.6** The Client, under no circumstances, should not risk more than he/she is prepared to lose.

3. Appropriateness Assessment

During the Online Registration Process, the Company carries out an assessment of Clients' appropriateness to trade CFDs and determines, based on the information provided by the Client, if the Client has sufficient knowledge and experience to understand the risks involved in trading CFDs. The Company will inform the Client of the result of such assessment. If the Company will warn the Client that trading CFDs may not be appropriate for him/her, then the Client shall refrain from trading until he/she attain sufficient knowledge and experience (for example, the Client may open a demo account first and familiarize himself/herself with the environment and risks involved in trading CFDs). If, despite the Company's warning, the Client will proceed with the live Account Opening Process, the Client will do so on his/her own risk.

4. General Risk Warning

Trading in forex/CFDs involves significant risk and may not be suitable for all investors. Trading in the financial markets may lead to a loss of some or all of your original investment and as such you should not invest money that you cannot afford to lose. Trading on margin/leverage can work against you as well as for you. You should be fully aware of all risks involved in trading and should seek professional advice from an independent financial advisor if you have any doubts.

5. General Risk Disclosure

5.1 The Client is warned of the following general risks:

- 5.1.1 The Company does not and cannot guarantee the initial capital of the Clients' portfolio or its value at any time or any money invested in any Financial Instrument.
- 5.1.2 Regardless of any information which may be offered by the Company, the value of any investment in Financial Instruments may fluctuate downwards or upwards and it is even probable that the investment may become of no value.
- 5.1.3 Information of the previous performance of a Financial Instrument does not guarantee its current and/or future performance. The use of historical data does not constitute a binding or safe forecast as to the corresponding future performance of the Financial Instruments to which the said information refers.
- 5.1.4 The Client is hereby advised that the transactions undertaken through the services of the Company may be of a speculative nature. Large losses may occur in a short period.

- 5.1.5** Some Financial Instruments may not become immediately liquid as a result for example of reduced demand and the Client may not be in a position to sell them or easily obtain information on the value of these Financial Instruments or the extent of the associated risks.
- 5.1.6** When a Financial Instrument is traded in a currency other than the currency of the Client's country of residence, any changes in the exchange rates may have a negative effect on its value, price and performance.
- 5.1.7** A Financial Instrument on foreign markets may entail risks different to the usual risks of the markets in the Client's country of residence. In some cases, these risks may be greater. The prospect of profit or loss from transactions on foreign markets is also affected by exchange rate fluctuations.
- 5.1.8** A Derivative Financial Instrument (i.e. option, future, forward, swap, CFD, NDF) may be a non-delivery spot transaction giving an opportunity to make profit on changes in currency rates, commodity, stock market indices or share prices called the underlying instrument. The value of the Derivative Financial Instrument may be directly affected by the price of the relevant underlying instrument.
- 5.1.9** The Client must not purchase a Derivative Financial Instrument unless he/she is willing to undertake the risks of losing entirely all the money which he/she has invested and also any additional commissions and other expenses incurred.

6. Additional Risk Disclosure

6.1 The Client is warned of the following additional risks:

- 6.1.1** The insolvency of the Company or of a Bank or Broker used by the Company to effect its transactions may lead to the Client's positions being closed out against his/her wishes.
- 6.1.2** Under certain market conditions it may be difficult or impossible to execute an order.
- 6.1.3** A Bank or Broker through whom the Company may deal with could have interests contrary to the Client's interests.
- 6.1.4** The Client's attention is expressly drawn to currencies traded so irregularly or infrequently that it cannot be certain that a price will be quoted at all times or that it may be difficult to effect transactions at a price which may be quoted owing to the absence of a counter party.
- 6.1.5** Trading on-line, no matter how convenient or efficient, does not necessarily reduce risks associated with currency trading.
- 6.1.6** There may be situations, movements and/or conditions occurring at weekend, in the beginning of week or intra-day after release of significant macroeconomic figures, economic

or political news that make currency markets to open with price levels that may substantially differ from previous prices. In this case, there exists a significant risk that orders issued to protect open positions and/or open new positions may be executed at prices significantly different from those designated.

- 6.1.7** There is a risk that the Client's trades in Financial Instruments may be or become subject to tax and/or any other duty for example because of changes in legislation and/or his/her personal circumstances. The Company does not warrant that no tax and/or any other stamp duty will be payable. The Client should be responsible for any taxes and/or any other duty which may accrue in respect of his/her trades.
- 6.1.8** The Client should take the risk that his/her trades in Financial Instruments may be or become subject to tax and/or any other duty for example because of changes in legislation or his personal circumstances. The Company does not warrant that no tax and/or any other stamp duty will be payable. The Client should be responsible for any taxes and/or any other duty which may accrue in respect of his trades.
- 6.1.9** The Client shall accept the risk of a loss in the event of Force Majeure.

7. Clients' Money and Trading Related Costs

- 7.1** The Company is required to hold the Client's money in an account that is segregated from the Company's money (Omnibus Account) in accordance with current regulations, but this may not afford complete protection; for instance, an individual Client will not have a claim against a specific sum in a specific account in the event of insolvency. In general, accounts held with institutions, including Omnibus Accounts, face various risks, including being treated as one account in case of institution defaults.
- 7.1.1** In the event of default of any banking institution which is cooperating with the Company, the Client shall have no claims against the Company.
- 7.1.2** Where the Company is unable to meet its obligations, the Client may be entitled to Compensation from the CySEC under the 'Investor Compensation Fund' (ICF). For more information, the Client shall refer to the 'Investor Compensation Fund' notice available on the Company's Website.
- 7.1.3** The Client shall refer to the Client's Money section of the Terms and Conditions of Use before proceeding with his/her first deposit.
- 7.2** The Client may be required to pay a commission and/or other fees.

- 7.2.1** Before the Client begins to trade, he/she should obtain details of all commissions and other charges for which the Client will be liable. If any charges are not expressed in money terms (but for example as spread), the Client should ask for a written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms.
- 7.2.2** The Client shall refer to the Cost, Fees and Commissions section of the Terms and Conditions of Use before placing an Order.
- 7.3** The Client should not fund his/her Account using money obtained from any credit facility (including, but not limited to bank loans). The Client should understand that his/her overall risk will be significantly increased in case of trading on 'borrowed money'. The Client shall never finance any trades with the borrowed money, nor rely on being able to profit on any trade in order to repay such borrowed amounts.

8. Trading Conditions: Required margin, leverage and Stop Out

- 8.1** Financial markets may fluctuate rapidly to reflect events that are outside the control of the Company and/or the Client's. As a result, prices may become volatile. One form of price volatility is 'gapping', which occurs when there is a sudden shift in prices from one level to another. Created this way Market Gap may prevent the Company to execute the order at the price requested by the Client. Additionally, Market Gaps are creating a risk that Client's Account(s) may be automatically stopped-out.
- 8.2** Trading on margin/leverage can work in the Client's advantage, but it may also work against him/her. The default leverage on Client's Account is set at the 1:50. The Client may request a higher leverage; however, it will be adjusted at the Company's sole discretion and subject to Client's Appropriateness Assessment. The Client should understand that a higher leverage may on one hand bring higher profit and on the other may lead to stop-out significantly faster than a lower leverage.
- 8.3** The Client should refer to the 'Leverage' and the 'General Trading Conditions' sections of Terms and Conditions of Use for more information.

9. Technical Risks

- 9.1** If the Client undertakes transactions on an electronic system, he/she will be exposed to risks associated with the system including the failure of hardware and software (Internet / Servers). The result of any system failure may be that his order is either not executed according to his

instructions or it is not executed at all. The Company does not accept any liability in the case of such a failure.

- 9.2** The Client shall refer to the relevant sections of the Company's Terms and Conditions of Use, to find more information regarding electronic trading and risks related to security and access to his/her Trading Account.

10. Client's Acknowledgment

- 10.1** The Client acknowledges that the Services offered by the Company do not include the provision of investment advice. Any investment information as may be announced or provided by the Company or on its behalf does not constitute investment advice services whatsoever, or in any circumstances and shall be regarded as given for informative purposes only. No information announced or provided by the Company shall be deemed as an assurance or guarantee on the expected results of any Transaction.
- 10.2** The Client acknowledges that the information in this document cannot and do not disclose or explain all of the risks and other significant aspects involved in dealing in CFDs. The Client should be aware of all the risks associated with trading on margin, and seek advice and consultation from an independent financial advisor if he/she has any doubts. The Company does not provide such advice. If the Client does not understand the risks involved in trading in CFDs, he/she should not trade at all.