

# GENERAL RISK DISCLOSURE



January 2018

Spot Capital Markets Ltd

This document is property of Spot Capital Markets Ltd. The reproduction in whole or in part in any way including the reproduction in summary form, the reissue in a different manner and any changes in the original document or any translated version is strictly forbidden without the prior specific permission of Spot Capital Markets Ltd.

## INTRODUCTION

This document provides you with information about the risks associated with investment products, which you may invest in through services provided to you by Spot Capital Markets Ltd (the “Company”). This document does not explain all the risks involved in investment products or how such risks relate to your personal circumstances. Investment products offered by the Company include Contracts for Differences (CFDs), whose underlying assets are stocks, currencies, indices, commodities, exchange traded funds (ETFs), and cryptocurrencies.

**If you choose to enter into a CFD with the Company, it is important that you remain aware of the risks involved, that you have adequate financial resources to bear such risks and that you monitor your positions carefully. If you are in any doubt about the risks involved with your account, you should seek professional advice.**

## CONTRACTS FOR DIFFERENCES (CFDs)

CFDs are leveraged products which allow you to obtain an indirect exposure to an underlying asset (i.e. stock, currency, index, commodity, ETF) by speculating on rising or falling prices. This means that you will never own the underlying asset, but you will make gains or suffer losses as a result of price movements in the underlying asset to which you have the indirect exposure.

CFDs carry a high level of risk as there is no guaranteed return and clients can lose the amount invested. However, with the Company’s trading platform, you cannot lose more than your trading account balance, i.e. you cannot be left in debt to the Company.

Trading CFDs is highly speculative and is only suitable for investors who:

- Have a high risk tolerance;
- Are trading with funds they can afford to lose;
- Have knowledge and/or experience with, and are comfortable trading on, financial markets and, separately, understand the impact of and risks associated with CFD trading; and
- Want to generally gain short term exposures to financial instruments/markets, and have savings.

## RISKS ASSOCIATED WITH CRYPTOCURRENCIES

When trading in CFDs where the underlying asset is a cryptocurrency, you should be aware of the following additional risks:

- Trading on these products is not covered by any European regulatory framework and falls outside the scope of the Company’s regulated activities governed by the EU Directive on Markets in Financial Instruments (MiFID)
- Such products are complex and of high risk, and as such they imply a high risk of losing all your invested capital
- The values of virtual currencies can widely fluctuate (i.e. they are highly volatile), and may result in significant losses over a short period of time

- These products are not appropriate for all investors and for this reason you should not trade in such products, unless you have the necessary relevant knowledge and experience and fully understand the specific characteristics and risks related to them
- Trading in these products does not entitle to you any protection under the Investor Compensation Fund (ICF)
- You are not entitled to submit any complaints/disputes against the Company to the Financial Ombudsman of the Republic of Cyprus, in case such complaints/disputes relate to your trading in these products

## SHORT POSITION ON CFDs

Going short on CFD means you are selling the CFD on the market by speculating that the market price of the underlying asset will fall between the time of the purchase and sale. If the market price of the underlying asset rises whilst your CFD short position is open, you will suffer a loss. If however, the market price of the underlying asset falls whilst your CFD position is open, you will make a profit.

## LONG POSITION ON CFDs

Going long on CFD means you are buying the CFD on the market by speculating that the market price of the underlying asset will rise between the time of the purchase and sale. If the market price of the underlying asset rises whilst your CFD long position is open, you will make a profit. If however, the market price of the underlying asset falls whilst your CFD position is open, you will suffer a loss.

## LEVERAGE

Leverage enables you to enter into trades with a comparatively small deposit in terms of the overall contract value. However, this means that a relatively small movement in the underlying market can have a disproportionately dramatic effect on your trade.

## TRADING OFF-EXCHANGE

When you trade with us, you will be entering into an off-exchange (also known as an over-the-counter, or OTC) derivative which is non-transferable. This means you will enter into trades directly with us and those trades must be closed with us. You will not be able to sell or transfer your trades to third parties. This can involve greater risk than investing in a financial instrument which is transferable, or dealing in an exchange-traded derivative, because your ability to open and close trades with us is dependent on our being in a position to accept orders from you and to execute them.

## VOLATILITY

Movements in the price of underlying markets can be volatile. This will have a direct impact on your profits and losses. Volatility can be unexpected and unpredictable. Therefore, knowing the volatility of an underlying market will help guide you as to where any Stop Loss should be placed.

## SLIPPAGE

Slippage is the difference between the order price (i.e. the expected traded price) and the actual execution price. This may occur because the particular underlying market has become unusually volatile. For instance, the underlying market may have stopped trading at a point above your Stop Loss order price and after a period of time, may recommence trading at a price below your Stop Loss order price.

Various factors can lead to slippage (for example, economic events or market announcements) and can occur both when the underlying market is open and when it is closed.

## PAST PERFORMANCE

You should not assume that past performance bears any relation to potential future performance. There can be no certainty concerning the future performance of any underlying market or trades that you make. No representation can be made as to future performance.

## SUSPENSION OF TRADING

Market conditions and the operation of the rules of certain markets (i.e. suspension of trades to due volatility, lack of liquidity in the underlying market, and other reasons), may make trading riskier. This may lead, albeit in extreme cases, to a change of the settlement of a CFD. We reserve the right to change settlement for CFDs expiring on a given day, if, on that day, trading is suspended.

## NEED TO MONITOR YOUR POSITIONS

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 open positions, you should always have the ability to access your trading account.

## OPERATIONAL RISK

Operational risks on your computer are inherent in every CFD transaction. For instance, disruption in our operational processes such as communications, computers, computer or mobile networks or external events may lead to delays in the execution and settlement of a transaction. We do not accept or bear any liability whatsoever in relation to our operational processes, except to the extent that it is caused by the fraud or dishonesty by the Company.

## TAX RISK

You take the risk that your trades and any related profits may be or become subject to tax. We do not represent or warrant that no tax or stamp duty (other than trading duty) will be payable. You will be responsible for all taxes and stamp duty in respect of your trades. We do not provide any tax advice to clients, and you are responsible for your own tax affairs.

---

## CURRENCY RISK

You should be aware that CFDs denominated in currencies other than your local currency entails the additional risk associated with currency fluctuations.

## NO ADVICE

Our services are provided on an execution only basis. We do not provide investment advice in relation to CFDs. We sometimes provide factual information or research recommendations about a market, information about transaction procedures and information about the potential risks involved and how those risks may be minimised. However, any decision to use our products or services is made by you. You are responsible for managing your tax and legal affairs including making any regulatory filings and payments and complying with applicable laws and regulations. We do not provide any regulatory, tax or legal advice. If you are in any doubt as to the tax treatment or liabilities of investment products available through your CFD trading account, you should seek independent advice.