

TRADE CAPITAL

— UK —

RISK DISCLOSURE NOTICE

TRADE CAPITAL UK (TCUK) LTD



CONTENTS

1. INTRODUCTION	2
2. DEFINITIONS.....	2
2.1. Complex Products Vs Non-Complex Products.....	2
2.2. CFDS	2
2.3. CFDs on Forex	3
2.4. Spread Bets	3
3. CFDS AND SPREAD BETS RISK DISCLOSURE	3
4. GENERAL RISK DISCLOSURE	5

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 UK (TCUK) Ltd (hereafter the “Company”). The Company provides investment services for **Contracts for Difference (“CFDs”) and Spread bets.**

CFDs and Spread bets are complex instruments and come with a high risk of losing money rapidly due to leverage.

You should consider whether you understand how CFDs and Spread bets work and whether you can afford to take the high risk of losing your money.

Professional clients can lose more than they deposit.

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

- Section 1: Definitions
- Section 2: CFDs and Spread bets Risk Disclosure
- Section 3: General Risk Disclosure

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.

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 or Index. This means investors will not own the underlying asset, but they 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. CFDS ON FOREX

CFDs on Currency Pairs ("Forex" and "FX") are derivative products whose price depends on the movement of the price of a currency pair, such as EUR/USD.

2.4. SPREAD BETS

A financial Spread bet is an agreement to exchange the difference between the open and closing value of the bet. When you place a financial Spread bet, you are speculating on the direction of the future price movements in an underlying instrument.

3. CFDS AND SPREAD BETS RISK DISCLOSURE

CFDs and Spread bets are complex instruments and come with a high risk of losing money rapidly due to leverage.

You should consider whether you understand how CFDs and Spread bets 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.

A Spread bet is a bet on the future change in price of a financial market.

CFDs and Spread bets 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 and Spread bets, you need to take into account the main characteristics and associated risks listed below.

Magnified Losses: CFDs and Spread bets 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, 1:10 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 and Spread bets 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 and Spread bets 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 and Spread bets are not for long term investment: CFDs and Spread bets are not suitable for long term investors. They require constant monitoring over a short period of time (minutes/hours/days) and maintaining a 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 and Spread bets investments are not suitable as income: the inherent nature of CFDs and Spread bets 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 and Spread bets 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 an 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 and Spread bets (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 and Spread bets money that you cannot afford to lose. Due to their nature of Leveraged Products, CFD and Spread bet 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 Spread bets and the underlying assets, in particular during volatile markets.

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 and a Spread bet 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, you must ensure that the 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 and Spread bets are Derivatives: CFDs and Spread bets 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 Options 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 and Spread bets 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.

4. 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, 1:50 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 FCA 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 Financial Services Compensation Scheme ("FSCS") for clients of UK Investment Firms. The Client will be entitled to compensation under the Scheme where the Company is unable to meet its duties and obligations arising from the Client's claim. Depending on the type of business and the circumstances of the claim, the FSCS covers up to £85,000 per claimant.

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.

This Statement was updated on April 5, 2022.