trading.com

GENERAL RISK DISCLOSURE

1. INTRODUCTION

Trading.com Markets UK Limited, trading under the name “Trading.com”, is a UK Investment Firm (registration number 09436004), regulated by the Financial Conduct Authority ("FCA") under firm reference number 705428 (hereinafter the “Company’’ or “we”, “us” and “our”, as appropriate). The Company’s registered office is at Coppergate House, 10 Whites Row, Spitalfields London E1 7NF United Kingdom.

This Notice cannot and does not disclose or explain all of the risks and other significant aspects associated with our services and the offering of financial instruments. Its purpose is to explain, in general terms, the nature of the risks particular to entering into transactions (i.e. trade) in Financial Instruments provided by the Company and to help you to take investment decisions on an informed basis. For a detailed explanation on how our services operate, you should read the following documents, which together with this Notice, form our agreement with you:

- Terms and Conditions of Business/Client Agreement;
- Order Execution Policy;
- Summary of Conflicts of Interest Policy;
- Client Categorisation Policy;
- Costs and Charges;
- Complaint Handling Procedure;
- Privacy Policy; and
- Key Information Documents.

You should NOT commence trading with us until you have read and understood the documents referred to above.

2. GENERAL CHARACTERISTICS OF COMPANY’S PRODUCTS

We offer trading services in Contracts for Differences (“CFDs”). CFDs fall under the asset class of derivative financial instruments (hereinafter “derivatives”). A derivative is a financial instrument whose price is dependent upon or derived from the price fluctuations of another underlying financial instrument.

What is a Contract for Difference?

A Contract for Difference (CFD) is an over-the-counter (“OTC”) derivative which enables investors to obtain exposure and participate in the returns (which could end up being positive or negative) from price movements in an underlying financial instrument, without the need to physically acquire that underlying financial instrument.

Who is your Counterparty?

Like all derivatives, a CFD is a contract under which two parties agree to exchange the difference in value between the opening value and the closing value of the contract. For the purposes of Client orders in financial instruments provided by the Company, the Company is always the counterparty (or 'principal') to all of your trades. Therefore, the Company is the sole execution venue for the execution of the Client's orders. Should you decide to open a position in a financial instrument with the Company, then that open position may only be closed with the Company.

How is your profit or loss on a CFD trade calculated?

CFDs allow you to make a profit or loss from the price fluctuations in the underlying financial instrument and the amount of any profit or loss on a CFD trade will be the total of the difference between the opening value of the CFD (Quantity x our price) and the closing value of the CFD (Quantity x our price) less any commissions and/or any other fees you incur and are required to pay to us in respect of the CFD.

Our trading service carries a high level of risk and is not suitable for everyone. You should not trade with us unless you understand the nature of the transaction you are entering into and the extent of your potential loss from a trade. You trade entirely at your own risk.

Our trading service is **'execution-only'**. This means that we carry out your trading instructions. We do NOT provide you with any investment advice.

3. FUNCTIONING AND PERFORMANCE OF COMPANY'S PRODUCTS IN DIFFERENT MARKET CONDITIONS

CFD products entail the use of "gearing" or "leverage" and are considered speculative products and, as such, carry significantly greater risks than non-leveraged products. Leverage enables you to obtain a large exposure to a financial instrument while only tying up a relatively small amount of your capital. However, your profit or loss is based on the full position (exposure) and, as such, the amount you gain or lose might seem very high in relation to the sum you have invested.

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The performance of such products depends on different market conditions which can have positive or negative effects on the performance of a product. Past performance is not an indication of future performance. The value of investments can go down as well as up. Therefore, when trading in CFDs, the market can move in your favour for a profit or against you for a loss.

For a better understanding as to how the market can have a positive or negative impact on your trades, a number of examples is included in the Appendix of this document.

Trading in CFDs is not suitable for all investors. Thus, you should not invest in CFDs unless you adequately understand the characteristics, and in particular the associated risks of these products and you are comfortable with these risks when trading on such products. You should seek independent professional advice, if necessary, in order to ensure that investing in these products is suitable for your objectives, needs and financial circumstances and resources.

4. RISKS ASSOCIATED WITH TRADING IN COMPANY'S PRODUCTS

In considering whether to engage in trading in CFDs, you should be aware of the following:

A. <u>General Risks associated with the Financial Instruments offered by the Company</u>

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.

2. Transactions undertaken through the dealing services of the Company may be of a speculative nature. Large losses may occur in a short period of time, equalling the total of funds deposited with the Company.

3. You may be required to deposit additional funds into your account at short notice in order to support your open trades. A failure to deposit additional funds when required to do so, may result in your open trades being closed out ('stopped out') at a loss and your pending orders cancelled by us without notice to you.

4. Under certain market conditions, it may be difficult or impossible to execute your order.

5. You must understand that the price of the financial instruments being traded is determined by fluctuations in markets outside our control. In setting your prices, spreads and the sizes

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in which we deal, we take into account the market or markets for the relevant underlying instruments.

6. We do not guarantee that an order you place to limit the loss on a trade ('stop loss') will be filled at the price that you specify. In a fast-moving market, your order may be liable to 'gap through', resulting in your trade being closed at an increased loss as compared with the level of the order that you placed. In the event that a 'gap through' occurs there can be a markedly different price in the financial instrument being traded with no opportunity to close your trade in-between. Therefore, an order you place to limit the loss on a trade should not be treated as a guarantee to limit your loss on that trade to a specific amount.

7. The Client's attention is expressly drawn to CFDs on currencies traded 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 counterparty.

8. Some financial instruments are quoted and settled in currencies other than the base currency of your account. Trading in these instruments carries additional risk as the currency exchange rate at the time you close a trade and when your balance is converted to your base currency at the close of business on the same day may have fluctuated against you. Therefore, if you trade in an instrument that is not quoted in the base currency of your account, currency exchange fluctuations will have an impact upon your profits and losses.

9. Any funds you deposit with us or is credited to your Account will be held in one or more segregated client bank accounts. The client bank accounts will be pooled accounts holding funds of other clients of ours and will not hold any of our own money. You shall have an ownership interest in your share of the balance in the relevant client bank account.

10. In the event of insolvency of the Company, your positions may be closed out against your wishes.

11. Changes in, or the introduction of new, rules, regulations and laws or the way in which they are applied or interpreted may impact your trading with us. You may be exposed to the risks arising under the rules, laws and regulations of jurisdictions other than the jurisdiction in which you are located and/or with which you are familiar.

12. Trading online, no matter how convenient or efficient, does not necessarily reduce risks associated with trading. In addition, by trading online, you face risks of slow or no internet connectivity and hardware or software failures.

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13. It is your responsibility to monitor your account at all times. It is important that you monitor your positions closely, due to the speed at which profits or losses can be incurred. If you have open trades you should always be in a position to access and manage your account. You may do this on-line, 24 hours a day, 7 days a week.

B. Specific Risks associated with transactions in Financial Instruments of the Company

You should unreservedly acknowledge and accept that, regardless of any information which may be offered by the Company, the value of the Financial Instruments provided by the Company may fluctuate downwards or upwards and it is even probable that the investment may become of no value.

You should also unreservedly acknowledge and accept that you run a great risk of incurring losses and damages, up to all your invested capital, as a result of dealing in Financial Instruments and accept and declare that you are willing to undertake this risk.

1. Leverage

As CFD products entail the use of leverage, you may deposit a relatively small proportion of the overall contract value to open a trade. This can work for and against you as a relatively small movement in the price of the underlying financial instrument being traded and can have a disproportionate effect on your trade. This may result in you achieving a good profit if the price of the underlying financial instrument moves in your favour, but equally, may result in you incurring significant losses as an equally small adverse market movement may quickly result in the loss of your entire invested capital. Your losses will never exceed the balance of your account as the Company offers a “negative balance protection”.

The Company offers to its Retail Clients fixed leverage ratios which vary from 2:1 to 30:1 according to the volatility of the underlying financial instrument, as follows:

CFDs on the following financial instruments	**Margin rates (leverage levels)**
Major FX – Currency pairs composed of any two (2) of the following: USD, EUR, JPY, GBP, CAD and CHF	3.33% (30:1 leverage)
Other FX – All other currency pairs	5% (20:1 leverage)
Gold	5% (20:1 leverage)
Major indices	5% (20:1 leverage)

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Minor and Thematic indices – All other indices	10% (10:1 leverage)
Commodities (other than gold)	10% (10:1 leverage)
Shares and other reference values	20% (5:1 leverage)

For example, if you want to open a position on EUR/USD worth of USD 30,000 and for which the fixed leverage ratio offered is 30:1, then you would only need to use USD 1,000 (i.e. USD 30,000 / 30) of your funds to do so.

2. Volatility of price and limitation on the available market

The products provided by the Company are derivative financial instruments, where their price is derived from the price of the underlying financial instruments in which the financial instruments refer to. Derivative financial instruments or markets can be highly volatile. The prices of derivative financial instruments and the underlying instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in market conditions, none of which can be controlled by the Client or the Company. Under certain market conditions, it can be impossible to execute any type of Clients order at the declared price. Therefore, even an open trade with a 'stop loss' order cannot always guarantee the limit of loss.

The prices of derivative financial instruments are influenced by, amongst others, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and/or the behavioural characteristics in a capital market.

Transactions in the products provided by the Company are not undertaken on a Trading Venue (Regulated Market, Multilateral Trading Facility or Organised Trading Facility), rather they are executed by the Company, through its Electronic Trading Platform and/or Mobile Application, which is not a Trading Venue, and as such you may be exposed to greater risks than those of a Trading Venue. The terms and conditions and trading rules are established solely by the Company. All open positions of any given financial instrument must be closed during the opening hours of the Company's Trading Platform.

3. Impediments on closing an open trade

There may be circumstances where market conditions may significantly change in a very short period of time, so that if you wish to sell an instrument or close a position, you may not be able to do so under the same terms as when you purchased or opened it. This is the case when there is low liquidity in a financial instrument and/or where you have a large position and, therefore, it

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is not possible to close your open trades immediately. During that time, the value of your open trades could fall, possibly by a significant sum, and you will be liable for the full amount of the losses that arise.

4. Margin requirements

You are required to deposit a margin with the Company in order to open a trade. The margin requirement will depend on the underlying instrument of the derivative Financial Instrument, the level of your chosen leverage and the value of position to be established. When the margin level required to maintain the open position(s) in your trading account falls below the minimum margin requirement, as specified by the Company, we may, but shall have no obligation whatsoever, issue a 'margin call' and in this case you will have to either increase the 'equity' in your trading account by depositing additional funds and/or close your positions. If you do not perform any of the aforementioned and the trading account reaches or falls below the 'stop out level', as this is specified by the Company, the automatic 'stop out mechanism' will be initiated and will start closing the open positions at the current market prices, in descending order on the basis of level of loss of each trade. The Company guarantees that there will be no negative balance in your account when trading in financial instruments provided by the Company due to the negative balance protection offered by the Company.

In order to protect our Clients and the Company, Trading.com may have to take measure including increasing the minimum margin requirements for all positions. When taking such actions, the Company endeavours to inform clients ahead of time, however under abnormal market conditions the Company may have to implement these actions at short or without notice. Having said the above, it is of crucial importance that clients always monitor their positions held with the Company. Clients should ensure that their trading accounts are sufficiently funded to avoid any disturbances from possible margin calls and/or stop-outs in their trading activity.

5. Additional obligations

Before you commence trading with us, you should ensure that you are aware of our charging system. If any charges are not expressed in money terms, but for example as a spread, you may request and obtain a clear written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms.

The value of open positions in certain financial instruments provided by the Company is subject to 'financing fees' (for example 'swap rates'). The price of long positions in financial instruments is reduced by a daily financing fee throughout their life. Conversely, the price of short positions in financial instruments is increased by a daily financing fee throughout their life. Financing fees are based on prevailing market interest rates, which may vary over time.

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Details of our charging system (such as spreads, commissions and financing fees) may be found on the Company's website under the link: www.trading.com/spreads.

You should be aware that your trades in financial instruments may be or become subject to tax and/or any other duty, for example, because of changes in legislation or in your personal circumstances. The Company does not warrant that no tax and/or any other stamp duty will be payable. You are responsible for any taxes and/or any other duties which may accrue in respect of your trades.

6. Corporate Events and Actions

In the case where an instrument becomes subject to corporate event, as set out in the relevant sections within the Company's Terms and Conditions, the Company will carry out the appropriate actions to adjust clients' trading accounts for the effect of the event on their position, preserving the economic equivalent of the rights and obligations attached to the clients' Transaction and/or Contract with the Company, on the ex-date of the event.

Further to the above, it is noted that the Company endeavors to communicate upcoming events and actions though its official website. In this respect, clients shall always monitor the Company's website in order to be duly informed of any possible upcoming corporate event.

5. ONGOING REVIEW AND AMENDMENT OF RISK DISCLOSURE

The Company reserves the right to review and/or amend its Risk Disclosure, at its sole discretion, whenever it deems fit or appropriate.

6. OTHER INFORMATION

a) We are covered by the Financial Services Compensation Scheme ("FSCS"). The FSCS provides compensation in certain circumstances for customers of authorised financial services firms if they are in default. The scheme may provide compensation to eligible claimants should we be unable to meet our obligations. Compensation limits are per person, per firm and per claim category and can be found on the FSCS website at https://www.fscs.org.uk/, along with additional information on this. For investments, the FSCS can cover 100% of eligible investments up to a limit of £85,000.

b) If there is anything in the Risk Disclosure you do not understand, please contact our Compliance Department: compliance.uk@trading.com

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EXAMPLES

The below examples illustrate how the market can move in the Client's favor or against him/her when trading in CFDs. Please note that the examples provided herein below are only provided for illustrative purposes and do not necessarily reflect current or future market or product movements, the values that the Company will apply to a trade, nor how such trades impact your personal circumstances. Also, the figures used in the examples do not necessarily reflect your personal circumstances and do not restrict in any manner the way in which the Company may exercise its powers or discretions. These examples do not constitute general or personal advice to any person reading this document:

1. **CFD on a Currency Pair (Forex)**

Example 1 – Buy Order (profitable trade)

Currency Pair: EUR/USD
Base currency: USD
Contract size: 1 Standard Lot (100,000 units)
Current Bid/Ask price: 1.28380/1.28390
Selected Leverage: 30:1 (or 3.33% margin)
Commission/Fees: No

You believe that signals in the market are indicating that the EUR will go up against the USD ("$"). You decide to enter into a CFD on EUR/USD and place a 'buy order'.

Therefore, you open one standard lot (100,000 units of EUR/USD), buying the EUR at your selected leverage of 30:1 (or 3.33% margin) and wait for the exchange rate of EUR/USD to climb. When you buy one lot (100,000 units) of EUR/USD at a price of 1.28390, you are effectively buying 100,000 EUR, which is worth $128.390 (100,000 units of EUR x 1.28390). As the margin requirement is 3.33%, then approximately US$4,275 (US$128,390 x 3.33%) would be set aside in your account to open up the trade. You now 'control' 100,000 EUR with just US$4,275.

Your predictions come true and you decide to close your trade. The Euro strengthens to 1.28420/1.28430. Now, to realise the profits, you close your order, i.e. sell one lot (100,000 units) of EUR/USD at the current rate of 1.28420 and you receive $128,420 for that trade (100,000 units x 1.28420).

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Result of your closed trade
You bought one lot (100,000 units) of EUR/USD at a price of 1.28390, paying $128,390. Then, you sold one lot (100,000 units) of EUR/USD at a price of 1.28420, receiving $128,420. That is a positive difference of $30 ($128,420 – $128,390 = +$30).
Total profit = $30 on a deposit of $4,275.

Example 2 – Buy Order (loss-making trade)

Currency Pair: EUR/USD
Base currency: USD
Contract size: 1 Standard Lot (100,000 units)
Current Bid/Ask price: 1.28380/1.28390
Selected Leverage: 30:1(or 3.33% margin)
Commission/Fees: No

You believe that signals in the market are indicating that the EUR will go up against the USD (“$”). You decide to enter into a CFD on EUR/USD and place a ‘buy order’.

Therefore, you open one standard lot (100,000 units EUR/USD), buying EUR at 3.33% margin and wait for the exchange rate of EUR/USD to climb. When you buy one lot (100,000 units) of EUR/USD at a price of 1.28390, you are effectively buying 100,000 EUR, which is worth $128.390 (100,000 units of EUR x 1.28390). If the margin requirement was 3.33%, then approximately US$4,275 would be set aside in your account to open up the trade (US$128,390 x 3.33%). You now ‘control’ 100,000 EUR with just US$4,275.

Your predictions do not come true and the Euro weakens to 1.28360/1.28370. Now, you decide to close your order to avoid further losses, you close your trade, i.e. sell one lot (100,000 units) of EUR/USD at the current rate of 1.28360, and you receive $128,360 for that trade (100,000 units x 1.28360).

Result of your closed trade
You bought one lot (100,000 units) of EUR/USD at a price of 1.28390, paying $128,390. Then, you sold one lot (100,000 units) of EUR/USD at a price of 1.28360, receiving $128,360. That is a negative difference of $30 ($128,360 – $128,390 = -$30).
Total loss = -$30 on a deposit of $4,275.

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2. CFD on Gold

Example 1 – Sell Order (profitable trade)

Precious Metal: Gold
Base currency: USD
Contract size: 1 Standard Lot (100 ounces of Gold)
Current Bid/Ask price: 1248.20/1248.60
Selected Leverage: 20:1 (margin of 5%)
Commission/Fees: No

Imagine the current Bid/Ask price for Gold is: 1248.20/1248.60, meaning that you can enter into a Gold CFD to buy ('go long') at 1248.60 or sell ('go short') at 1248.20. Suppose that you believe that the value of Gold will fall and, as such, you decide to enter into a CFD on Gold and place a 'sell order', i.e. to sell ('go short') Gold.

Therefore, with a 5% margin, the amount of US$6,241 (100 ounces x 1248.20 x 5%) would be set aside in your account for selling (going short) 100 ounces (one lot) of Gold. As you expected, the value of Gold drops to 1245.80/1246.20. Now, to realize the profits, you close the order and buy 100 ounces (one lot) of Gold at the current price of 1246.20.

Result of your closed trade
You went short one lot (100 ounces) of Gold at 1248.20 for $124,820. Then, you closed your trade, i.e. bought one lot (100 ounces) of Gold at 1246.20 for $124,620. That is a positive difference of $200 ($124,820 - $124,620 = $200).

Total profit = $200 on a deposit of $6,241.

Example 2 – Sell Order (loss-making trade)

Precious Metal: Gold
Base currency: USD
Contract size: 100 ounces
Current Bid/Ask price: 1248.20/1248.60
Selected Leverage: 20:1 (margin of 5%)
Commission/Fees: No

Imagine the current Bid/Ask price for Gold is: 1248.20/1248.60, meaning that you can enter into a Gold CFD to buy ('go long') at 1248.60 or sell ('go short') at 1248.20. Suppose that you believe

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that the value of Gold will fall and, as such, you decide to enter into a CFD on Gold and place a 'sell order', i.e. to sell ('go short') Gold.

Therefore, with a 5% margin, the amount of US$6,241 (100 ounces x 1248.20 x 5%) would be set aside in your account for selling (going short) 100 ounces (one lot) of Gold. Your predictions do not come true and the value of Gold rises to 1249.80/1250.20. Now, to minimise your losses, you close the order and buy 100 ounces (one lot) of Gold at the current price of 1250.20.

Result of your closed trade
You went short one lot (100 ounces) of Gold at 1248.20 for $124,820. Then, you closed your trade, i.e. bought one lot (100 ounces) of Gold at 1250.20 for $125,020. That is a negative difference of $200 ($124,820 - $125,020 = -$200).

Total loss = -$200 on a deposit of $6,241.

Risk Warning:

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. **Click here for the percentage (%) of retail investor accounts who lose money when trading CFDs with this provider.** You should consider whether you can afford to take the high risk of losing your money.

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