

**RISK DISCLOSURE**

AFX Capital Markets is authorised and regulated by Cyprus Security and our authorisation and registration number is 119/10 (licence number), 253014 (our registration number), and we are also regulated under the Market in Financial Instruments Directive (MiFID) in regards to other offices within the EU under the MiFID Passporting Regime. Our details can be found on the CySEC website at [http://www.cysec.gov.cy/licence\\_members\\_1\\_en.aspx](http://www.cysec.gov.cy/licence_members_1_en.aspx). The registered office for AFX Capital Markets Ltd is 73, Ayias Zonis & Tirteou, CY-3090 Limassol, Cyprus.

The purpose of this document is to advise you of possible associated risks with trading Options, CFDs, and Foreign Exchange (Forex) as required under the Market in Financial Instruments Directive (MiFID). By reviewing this Disclosure document, you are under no obligation to commit to an investment with us.

**PLEASE READ THE BELOW BEFORE UNDERTAKING ANY TRADES WITH US**

The risk of trading Options, CFDs, and Forex is substantial. The high degree of leverage associated with these types of investments may work against you as well as for you.

This high degree of leverage can result in substantial losses. You should carefully consider whether these types of investments are suitable for you in light of your personal financial circumstances and investment objectives. If you are at all unsure as to the suitability of the products offered by AFX Capital Markets, please seek independent financial advice.

The past performances of these types of investments do not guarantee any future results. You must bear in mind any commission and tax liabilities you personally will have from investing with us. AFX Capital Markets accepts no liability for any tax you may be required to pay on any profits made during the time you are an account holder with us.

Trading on Margin involves high risk and is not suitable for all investors. The high degree of leverage can work against you as well as for you. Before trading, you should carefully consider your investment objectives, level of experience, and risk appetite. There is always a relationship between high reward and high risk. Any type of market or trade speculation that can yield unusually high returns is subjected to high risk. Only surplus funds should be placed at risk and anyone who does not have such funds should not participate in trading Options, CFDs or FOREX.

**TRADING IS NOT SUITABLE FOR EVERYONE.****TRADING OPTIONS, CFD'S AND FOREX INVOLVES HIGH RISKS AND CAN CAUSE YOU A COMPLETE LOSS OF YOUR FUNDS**

Under MiFID, AFX Capital Markets is required to issue this risk disclosure document and disclose how we manage Conflicts of Interest, Best Execution, and issues regarding any complaints you may have against us as well as our regulatory status.

For our Conflicts Of Interest Policy and Best Execution Policy are available under: [www.afxcapital.com/legal](http://www.afxcapital.com/legal).

Should you have a Complaints about the service you have received by us, please contact: [compliance@afxcapital.com](mailto:compliance@afxcapital.com) in the first instance. A detailed complaint process can be found at: [www.afxcapital.com/legal](http://www.afxcapital.com/legal).

Different instruments involve different levels of exposure to risk, and in deciding whether to trade in such instruments the Applicant should be aware of the following points.

**1. CFDs**

CFDs can be likened to futures which can be entered into in relation to certain indexes, precious metals, oil, commodities or financial instruments. However, unlike other futures, these contracts can only be settled in cash. Investing in a CFD carries risks similar to investing in a future and you should be aware of these. Transactions in CFDs may also have a contingent liability and you should be aware of the implications of this as set out in paragraphs 4 and 6 below.

**2. Investing in rolling forex, indexes, precious metals, oil and commodities**

Investing in rolling forex, indexes, precious metals, oil and commodities carries similar risks as investing in a future and you should be aware of these. Margined transactions in rolling forex, indexes, precious metals, oil and commodities may also have a contingent liability and you should be aware of the implications of this as set out in paragraphs 4 and 5 below. In addition to standard industry disclosures contained in this Risk Disclosure, you should be aware that margined rolling forex, indexes, precious metals, oil and commodities trading are some of the riskiest forms of investment available in the financial markets and are only suitable for sophisticated individuals and institutions. Given the possibility of losing an entire investment, speculation in the precious

metals, indexes, oil, commodities or foreign exchange markets should only be conducted with risk capital funds that if lost will not significantly affect your personal or institution's financial wellbeing.

3. **Option**

Risk is the amount you may lose in an option strategy. Some strategies are known as "limited risk", meaning your maximum risk is known the moment you enter the trade. Buying a long call is a limited risk strategy - you can only lose the purchase price of the call. An "unlimited risk" strategy has an unknown risk when you enter the trade. Selling calls naked is an unlimited risk strategy - if the stock jumps up over the strike price you sold due to a buyout or any other reason, you could face very high losses and there is no way to know what they might be when you enter the trade. There is no such thing as a "risk free" or "sure thing" options strategy. All strategies have risk.

If you have pursued only conservative forms of investment in the past, you may wish to study rolling forex, Cfds trading an Option before engaging in an investment of this nature. If you wish to engage in this trading activity, you acknowledge that the funds you have committed are purely risk capital and loss of your investment will not jeopardize your style of living nor will it detract from your future retirement program. Additionally, you fully understand the nature and risks of investing in rolling forex, indexes, precious metals, oil and commodities, and your obligations to others will not be neglected should you suffer investment losses.

4. **Foreign markets**

Foreign markets involve different risks from Cyprus markets. In some cases risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign currency will be affected by fluctuations in foreign exchange rates. Such enhanced risks include the risks of political or economic policy changes in a foreign media, which may substantially and permanently alter the conditions, terms, marketability or price of a foreign currency.

5. **Risk reducing orders or strategies**

The placing of certain orders (e.g. "stop loss" or "stop limits" orders) that are intended to limit losses to certain amounts may not always work because market conditions or technological limitations may make it impossible to execute such orders.

6. **Contingent liability transactions**

Forex, CFDs and Option are margined transactions requiring you to make a series of payments against the contract value, instead of paying the entire contract value immediately. You may sustain a total loss of the margin you deposit with AFX to establish or maintain a position. AFX revalues your open positions continuously during each business day, and any profit or loss is immediately reflected in your account and a loss may result in you being called upon to pay substantial additional margin on short notice to maintain your open positions. AFX may also change its rates of initial margin and/or notional trading requirements at any time, which may also result in a change to the margin you are required to maintain. If you do not maintain sufficient margin on your account at all times and/or provide such additional funds within the time required, your open positions may be closed at a loss and you will be liable for any resulting deficit.

7. **Leverage**

Whilst derivatives instruments can be utilised for the management of the risk, some investments are unsuitable for many investors. Forex, CFDs and Option carry a high degree of risk. The gearing and leverage that is obtainable with Forex, CFDs and Option trading means that you only need to place a small deposit to commence trading with AFX although this small deposit may result in large losses or large gains. Highly leveraged transactions are subject to significant changes in value as a result of relatively small changes in the value or level of an underlying or related market factor.

8. **Over the Counter Transactions**

When trading CFDs you speculate on the anticipated price change for a particular underlying. This trading does not occur on a regulated market. You will enter directly into a contract with AFX in respect of the financial instrument or other underlying you wish to trade under a CFD. All open positions with AFX must be closed with AFX and can not be closed with any other party. Trading in OTC financial transactions may expose you to greater risks than trading on a regulated market because there is no market on which to close out your open positions. OTC transactions may increase the liquidity risk and introduce other significant risk factors: it may be impossible, for example, to assess the value of a position resulting from an off-market transaction or to determine the risk exposure. Also, bid prices and offer prices need not be quoted by AFX and, even where they are, AFX may find it

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difficult to establish a fair price particularly when the relevant exchange or market for the underlying is closed or suspended.

### 9. **Prices**

The prices posted on the AFX platform (the “**Platform**”) may not necessarily reflect the broader market. AFX will select closing prices to be used in determining margin requirements and in periodically marking to market the positions in your account and closing out such positions. Although AFX expects that these prices will be reasonably related to those available on what is known as the interbank market or any appropriate exchange or other financial market (the “**Reference Market**”), prices AFX uses may vary from those available to banks and other participants in the Reference Market. Consequently, AFX may exercise considerable discretion in setting margin requirements and collecting margin funds.

### 10. **Weekend risk**

Various situations, developments or events may arise over a weekend when the markets generally close for trading, that may cause the markets to open at a significantly different price from where they closed on Friday afternoon. You will not be able to use the Platform to place or change orders over the weekend and at other times when the markets are generally closed. There is a substantial risk that stop-loss orders left to protect open positions held over the weekend will be executed at levels significantly worse than their specified price.

### 11. **Electronic trading**

Trading in OTC contracts through the Platform may differ from trading on other electronic trading systems as well as from trading in a conventional or open market. You will be exposed to risks associated with the electronic trading system including the failure of hardware and software and system down time, with respect to the Platform, your systems and the communications infrastructure (for example the internet) connecting the Platform with you.

### 12. **Intraday Trading**

Online intraday trading can lead you to make numerous transactions.

### 13. **Trading suspensions**

Under certain conditions it may be difficult or impossible to liquidate a position. This can occur, for example, at times of rapid price movement where the price for an underlying rises or falls during one trading session to such an extent that trading in the underlying is restricted or suspended.

### 14. **Commissions**

Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable, as indicated in the Rates Schedule available on the website of AFX.

### 15. **Insolvency**

Any insolvency or default may lead to positions being liquidated or closed out without your consent. Additionally, you will transfer full ownership and title to a portion of all the of money you will deposit with AFX representing an amount necessary to secure your present or future, actual or contingent liabilities to AFX including margin requirements. AFX will determine the amount of money required to secure your obligations to AFX in its sole discretion on a daily basis (based on your daily open positions and trading, taking account of market conditions), which amount may be greater than the margin requirements. You will have no proprietary claim over this amount of money which will not be subject to segregation or other duties pursuant to client money rules in force from time to time under applicable law and may be dealt with by AFX on its own account. Such amount of money may therefore be irrecoverable in the event of an insolvency or default of AFX.