

Risk Warning and Disclosure Notice

Effective Date: 31st October 2018

Risk Warning and Disclosure Notice

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. 69% of retail investor accounts lose money when trading CFDs with this provider. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money. Don't use money you can't afford to lose.

You should only consider trading if you:

- **have extensive experience of trading in volatile markets;**
- **fully understand how they operate, including all the risks and costs involved;**
- **are aware that the greater the leverage, the greater the risk;**
- **understand that your position can be closed whether or not you agree with our decision to close your position; and**
- **have sufficient time to manage your investment on an active basis.**

We cover some of the general and specific risks in this Risk Disclosure Notice and you should read this fully to help you understand them.

Risk Warning and Disclosure Notice

The purpose of this Risk Warning Notice is to provide a general description of the nature and risk of financial instruments concerning the trading services we offer. This Risk Warning Notice is for your information and is not intended to be relied upon as legal, tax or any other advice. It is not intended to explain all of the risks associated with our services nor does it contain a detailed explanation as to how our services operate. For a detailed explanation on how our services operate, you should read the current versions of the following documents which are available on our website and which together with this Risk Warning and Disclosure Notice, form our agreement with you:

- Customer Agreement
- Order Execution Summary Policy
- Conflict of Interests Summary Policy
- Website Terms and Conditions
- Complaints Handling Summary Policy
- Privacy Policy
- Cookie Policy
- Any further or separate arrangement that may be entered into between us.

You should not commence trading with us until you have read and understood this Risk Warning Notice and the documents referred to above.

You will be asked to confirm that you have read and understood this Risk Warning and Disclosure Notice in your account application form signed declaration. If there is anything in this Risk Warning and Disclosure Notice you do not understand, please contact our Client Services Team.

Opening an account with us will enable you to trade a variety of financial products which carry a high degree of risk to your capital. The purpose of this risk warning and disclosure notice is to draw your

attention to some of these risks and ensure that you have sufficient information to enable you to make your own investment decisions

Please read this notice carefully. We will ask you to confirm that you have read and understood its content before providing you with an account.

Risks

Trading in any financial product carries an inherent risk. Our products are traded on margin or leverage, which means that they carry a significantly greater risk than some traditional investment instruments and are not suitable for everyone. You should not trade with us unless you understand the nature of the transaction that you are entering into and the extent of your potential loss from a trade. If you are in any doubt you should seek independent advice. 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 as part of our service and we do not carry out a suitability assessment of you or your particular circumstances. Therefore, it is important that you are able to assess, understand and manage the risks associated with margined trading. You must be satisfied that our products are suitable for you in light of your own circumstances and financial resources.

Your orders will be executed exclusively, and without exception, on the trading platform(s) offered by Z.com Trade. We are counterparty to all your trades. Any position you open with us can only be closed with us and cannot be transferred to any other person.

We offer CFD trading services in Forex, Indices and Commodities. You enter into each and every trade with us on a principal to principle basis.

In deciding whether this type of trading is suitable for you, the risks that you should have regard to include the following:

1. Our services involve a high degree of gearing or leverage. For the majority of the trades you place with us, you will be required to deposit a relatively modest proportion of the overall contract value to open the trade. This can work for and against you as a relatively small movement in the price of the financial instrument being traded can have a disproportionate effect on your trade. This may result in you achieving a good profit but equally may result in you incurring significant losses. These losses may be in excess of the cash you have deposited with us.
2. It is important that you monitor your positions closely due to the speed at which profits or losses can be incurred. It is your responsibility to monitor your account at all times. If you have working orders and open trades you should always be in a position to access and manage your account. You may do this online, 24 hours a day; 7 days a week (please note that access is not available during scheduled system maintenance hours, details of which can be found on our website). We may be able to rectify mistakes depending on their nature and the circumstances, but only if you notify us as soon as possible and in any event within 24 hours of the trade
3. You must understand that the price of the financial instruments being traded is determined by fluctuations in markets outside our control and that the historical performance of a financial instrument is no indication as to its future performance.
4. You may be required to deposit additional funds into your account at short notice in order to support your open trades and working orders. You remain liable for any deficit in your account. Bank

wire or cheque deposits are available to be processed by us between the hours of 09:00 – 17:00 UK time Monday to Friday (excluding national holidays), and deposits by China UnionPay are available between the hours of 01:00 – 17:00 UK time. Please note that deposits by China UnionPay are subject to being processed by the payment gateway and our internal systems, and for all deposits it may take up to one working day to process in some circumstances. Please therefore ensure that you have sufficient margin in your account to support any open positions during the time it takes to process your deposit.

5. Price slippage may occur: Normal market circumstances such as volatility and liquidity apply to this account and may impact on the trading platform's ability to execute your orders at the price that you instruct it to do so.

6. If you trade in an instrument that is not quoted in the base currency of your account, currency exchange fluctuations will impact upon your profits and losses.

7. There may be circumstances, for example where you have a large position and/or where there is low liquidity, where it is not possible to close your open trades immediately. It may take days or even weeks to do so. During this period 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.

8. We do not guarantee that an order you place to limit the loss on a trade will be filled at the price that you specify. In a fast-moving market, your order may be liable to 'gap through', with the result that your trade is 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. Likewise, in a fast-moving market your position may be closed at a less favourable level than the margin close out level which may result in you incurring losses, and it should not be considered as a guaranteed closing price.

9. One or more of your trades may be affected by a corporate action type event the occurrence of which may have a dramatic effect on that trade or trades and/or on your account generally. We recommend that before you open a trade with us you carry out your own research into whether the trade that you intend to open is liable to be the subject of a corporate action type event and if so the likely effect of that action on the trade that you wish to open.

Retail Clients only: your money

Any money you transfer to 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 monies transferred to us by other clients of ours and will not hold any of our own monies. We may transfer any amount that is allocable to you in the relevant client bank account or amounts credited to your Account to any clearing house, bank or broker for the purpose of providing any initial margin and intraday margin to such broker in relation to our back to back trade. Your rights to monies in your account are as follows:

- You will have an ownership interest in your share of the balance in the relevant client bank account.
- You will not have an ownership interest to any monies required to be transferred from the relevant client bank account, or from the monies held by a clearing house, bank or broker that is allocable or returnable to your Account, for the purpose of settling our obligations under our Back to Back Trade such as settlement of mark-to-market losses on daily settlement of such trade.

In certain circumstances, you may not receive all the monies to which you have an ownership interest as there is a possibility that the bank at which the client bank account is held has become insolvent or has otherwise failed and is unable to return the full amount of monies held in the client bank account.

You may also suffer a shortfall if the clearing house, bank or broker has become insolvent or has otherwise failed and is unable to return the full amount of monies that is returnable or allocable to your Account.

Nature of the products

Most of the Instruments we offer are derivatives. There are many different types of derivative financial instruments, with different characteristics and subject to different conditions. Derivatives are complex instruments and individual transactions may comprise more than one derivative and may be tailored to the particular requirements of the parties. Certain of the risks arising from the use of derivatives may depend on whether the derivative is traded on a trading venue (such as an MTF) or traded over-the-counter ("OTC").

The main categories of derivatives are futures (forwards), swaps and options. The term **"contract for differences"** (used, in particular, in the UK) is sometimes used to describe certain types of cash settled derivatives transaction. The terminology used to describe the different types of derivatives may not be used uniformly or consistently, may differ between markets or countries and may have different meanings in different contexts (for example, for the purposes of financial services regulation and taxation). **Derivatives are considered complex products and may not be suitable for everybody. You should carefully review all the terms and conditions of the derivative transaction to ensure they have a comprehensive understanding of their rights and obligations and of how the derivative may function in different market conditions.**

Futures and forwards – Futures involve the obligation to make, or to take, delivery of the underlying asset at a future date, or in some cases the payment of a cash amount. Futures transactions share the characteristics of forward transactions; however, historically, the term "futures" has typically been used to describe standardised exchange traded transactions (whether physically or cash settled) and the term "forwards" has typically referred to individually negotiated over-the-counter physically settled transactions, in both cases where the delivery date is for a future date that is beyond the date on which a "spot" transaction for the relevant underlying asset commonly settles.

"Spot" transactions in the context of currencies and commodities are generally contracts that settle by delivery of the other currency or by delivery of the commodity within two trading days or, longer if that is the standard delivery period for the currency or commodity concerned. **Where parties intend for contracts to be settled in cash, they are not spot contracts. We therefore treat the rolling spot FX and rolling spot commodity contracts we offer you as leveraged derivatives rather than spot contracts.**

Currency forwards may be structured as **"non-deliverable forwards"** meaning that the relevant currencies in the currency pair are not exchanged on the settlement date. Where a future is physically settled, an investor who does not want to make or take physical delivery must close out the position (typically by entering into an equal and opposite position) before any applicable cut-off time. There can be no assurance that it will be possible to close out the position on advantageous terms or at all.

Swaps – This term typically describes a financial instrument under which the parties agree to exchange certain cash flows based on the value of, or return from, one or more underlying assets or other reference points.

The term **"contract for difference" (or "CFD")** is generally used to describe a contract between two parties, typically described as "buyer" and "seller", stipulating that the seller will pay to the buyer the difference between the value of an asset (often a share or an index) on one date and its value at a subsequent date (if the difference is negative, then the buyer pays the difference to the seller). In effect, CFDs are financial derivatives that allow traders to take advantage of prices moving up (long

positions) or prices moving down (short positions) on underlying financial instruments and are often used to speculate on those markets.

The terms “swap” and “contract for difference” are sometimes used interchangeably to refer to the same financial instrument.

Principal risks

This section contains a list of the principal categories of general risks that are typically associated with financial instruments. Not all of these risks will apply to all financial instruments we offer and different financial instruments (including those which share similar characteristics) may exhibit some or all of these risks to different degrees.

Volatility and Timing Risk

CFDs are not suitable for ‘buy and hold’ trading. They can require constant monitoring over a short period of time (minutes/hours/days). Even maintaining your investment overnight exposes you to greater risk and additional cost.

The volatility of the stock market and other financial markets, together with the extra leverage on your investment, can result in rapid changes to your overall investment position. Immediate action may be required to manage your risk exposure, or to post additional margin. Therefore, if you do not have enough time to monitor your investment on a regular basis, you should not trade in CFDs.

Market Risk

The term “market risk” is sometimes used generically to describe the systematic risk to which you may be exposed and which may result in losses due to factors affecting financial markets generally, or particular geographies, countries, sectors or issuers. As such, many of the risks described elsewhere in this document may comprise components of market risk.

The value of a financial instrument may decline due to general market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, inflation, adverse investor sentiment generally and the forces of supply and demand. The value of financial instruments may also be impacted by market disruptions and by the activities of other market participants which influence prices.

The value of particular financial instruments may be impacted by the price or value of other financial instruments (whether or not there is a direct relationship with those other financial instruments); and values may go up or down, sometimes rapidly or unpredictably.

Liquidity Risk

Liquidity risk exists when particular financial instruments are difficult to purchase or sell (e.g., if they are not publicly traded and/or have no market that is currently available or may become less liquid in response to market developments).

Liquidity risk may be attributable to a number of factors including: the particular terms and conditions of the instrument; legal, regulatory or contractual restrictions on their sale or transfer; the fact that the instrument is not publicly traded (for example, because it is not listed on an exchange); or in response to market developments or adverse investor perceptions. Liquidity risk may arise where ownership in a particular financial instrument is concentrated in one or a small number of investors, and this may impact the value of the instrument. Liquidity risk may also arise as the result of the reduced number and capacity of traditional market participants to make a market in the relevant financial instrument.

Additionally, market participants may attempt to sell holdings at the same time as you, and there may be insufficient liquidity to accommodate all these intended sales. These factors may exist at the time of investment or may arise subsequently.

Although a third party may agree to act as market maker in the relevant financial instrument, they may place limitations on their responsibilities to make a market (for example, in certain market conditions). Also, if there is only one market maker, it will be difficult to verify whether the price offered by the market maker represents fair value. Liquidity for certain CFD instruments may be limited and prices may be available only intermittently. Where we obtained a broker price, or where liquidity is limited you may not be able to open or close a position when you want to, or at least not as frequently as you may have been able to otherwise.

Leverage Risk

Our services involve a high degree of leverage. For the majority of the trades you place with us, you will be required to deposit a relatively modest proportion of the overall contract value to open the trade. This may result in you achieving a good profit but equally may result in you incurring significant losses. Gearing and leverage describe various techniques and investment strategies that are typically intended to generate returns through increased exposure to financial instruments or other assets (including currencies and indices). Examples of these techniques include the following: borrowing (often using a portfolio of financial instruments as collateral) and investing the proceeds in financial instruments; and using derivatives to gain an (increased) exposure to a financial instrument, greater than the exposure that would be achieved by purchasing the financial instrument directly.

This can work for and against you as a relatively small movement in the price of the financial instrument being traded can have a disproportionate effect on your trade. Depending on the technique or strategy used and (as applicable) the terms and conditions of the financial instrument in which the technique or strategy is embedded, losses may be in excess of the cash you have deposited with us. In certain circumstances, you may be liable to make further payments; for example, where you have borrowed money secured against a portfolio of financial instruments and uses the proceeds of the loan to make further investments, you would be liable to repay the loan even in the event of the entire loss of value of the portfolio.

Currency Risk

This refers to the risks relating to the currency in which the financial instrument is denominated. Where a financial instrument is denominated in a currency that is different from your “base currency” (this generally refers to the currency in which the performance of the portfolio is measured and is typically, but not always, the currency in which you are located), you are exposed to the risk that the relative value of the two currencies (or exchange rate) may deviate over time. So, although the value of the financial instrument might increase when measured in the currency of denomination, when measured in (or converted into) the base currency, you might experience a loss. This would happen where the currency in which the financial instrument is denominated falls in value relative to the base currency. This risk also arises where you hold funds in a currency other than the base currency.

Currency rates may fluctuate significantly, including over short periods of time, for a number of reasons, including changes in interest rates; intervention (or the failure to intervene) by foreign governments; central banks or supranational entities such as the International Monetary Fund; or by the imposition of currency controls or other political developments.

Currency risk also refers to the risk that events may occur that adversely impact the currency in which a financial instrument is denominated. For example, a government may impose exchange controls (which may artificially impact the applicable exchange rate) or other restrictions on the repatriation of the proceeds of sale.

Execution Risk

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.

Credit/Counterparty Risk

Credit (or counterparty) risk arises from the inability or unwillingness of a counterparty to perform their contractual obligations, or the perception or expectation that this may be the case or may occur in the future. As we enter into all transactions with you as principal you are primarily concerned with our credit risk. However, you will also be exposed to any person with whom you deposits assets or funds with and any person who owes monies or other assets to you.

Legal and Regulatory Risk

Changes in, or the introduction of new, rules, regulations and laws (including with respect to particular categories of financial instruments, issuers, and taxation) or the way in which they are applied or interpreted may impact your financial instruments and/or the implementation of your investment strategies.

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. For example, where you invest in financial instruments that are subject to the rules, laws and regulations in other jurisdictions and/or you invest in financial instruments traded in markets in other jurisdictions, it is important to recognise that those laws and regulations may differ from those with which you are familiar and may have unexpected consequences.

Further, such rules, regulations and laws may be subject to inconsistent or arbitrary application or interpretation and may be changed with retroactive effect. There is no guarantee that an overseas investor would obtain a satisfactory remedy in local courts in case of a breach of local laws or regulations or a dispute over ownership of assets. You may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in overseas courts. This may be exacerbated by the arrangements under which financial instruments are held in custody; for example, if your ownership interest is not recognised in the overseas jurisdiction where the arrangements for holding the relevant financial instrument involve a nominee.

Governments or their agencies may also acquire distressed assets from financial institutions and acquire ownership interests in those institutions. The implications of government ownership and disposition of these assets will vary, and such a program may have positive or negative effects on the liquidity, valuation and performance of your holdings.

Issuer Risk

This refers to the risks associated with the particular issuer of a particular financial instrument. This will be relevant where you trade equity CFDs including where equities make up part of an index in relation to an index CFD. The value of a financial instrument may decline because of a number of reasons, which directly relate to the issuer, such as (without limitation) insolvency, management performance, the availability and/or cost of financing, financial leverage, reputation, and reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the value of its assets. The issuer may also fail to perform its obligations under the terms and conditions applicable to the financial instrument. Issuer risk also relates to the risk arising from corporate events such as mergers, acquisitions and takeovers (including the failure to execute any such transaction), as well as other events that may result in the dilution of any ownership interest of an investor in the issuer. We recommend that before you open a trade with us you carry out your own

research into whether the trade that you intend to open is liable to be the subject of a corporate action type event and if so the likely effect of that action on the trade that you wish to open.

Language of Communications

All GMO-Z.com Trade UK Limited legal documents are available in English, and can be found on the English version of our corporate website. Translations into other languages are provided for referential purposes only. For the avoidance of doubt, the English version shall prevail in the event of any inconsistencies or ambiguities.