

## **RISK DISCLOSURE AND WARNINGS NOTICE**

This is the Risk Disclosure and Warnings Notice of LCG Capital Markets Limited (LCG).

This notice is provided to you (our client and prospective Client) in compliance with the Securities Industry Act and Securities Industry Regulations, as subsequently amended from time to time (“the Law”), because you are proposing to undertake dealings in financial instruments in the form of Foreign Exchange Contracts (“FX Contracts”) and/or Contracts for differences (“CFDs”) with LCG. The purpose of this notice is to help you understand the nature and risks of our products and services. All Clients and prospective Clients should read carefully the following risk disclosure and warnings contained in this document, before applying to the Company for a trading account and before they begin to trade with the Company. However, it is noted that this document cannot and does not disclose or explain all of the risks and other significant aspects involved in dealing in Financial Instruments.

### **General Risk Warning for Complex Financial Instruments (Derivative Financial Instruments such as CFDs)**

Trading CFDs and FX Contracts is highly speculative, involves a significant risk of loss and is not suitable for all investors but only for those customers who:

- a) understand and are willing to assume the economic, legal and other risks involved;
- b) are experienced and knowledgeable about trading in derivatives and in underlying asset types; and
- c) are financially able to assume losses significantly in excess of margin or deposits because investors may lose the total value of the contract not just the margin or the deposit.

Neither CFDs nor FX Contracts are appropriate investments for retirement funds. CFD and FX transactions are among the riskiest types of investments and can result in large losses. The Customer represents, warrants and agrees that the Customer understands these risks, is willing and able, financially and otherwise, to assume the risks of trading CFDs and FX Contracts and that the loss of the Customer’s entire account balance will not change Customer’s lifestyle.

You should not engage in this form of investing unless you understand the nature of the Transaction you are entering into and the true extent of your exposure to the risk of loss.

Your profit and loss will vary according to the extent of the fluctuations in the price of the underlying markets on which the trade is based and your losses could exceed your initial deposit. If you are in any doubt you should seek independent professional advice.

The purpose of these Transactions is to secure a profit or avoid a loss by reference to fluctuations in the price of the underlying market. In the context of our activities, the underlying instrument may be a single security, a basket of securities, a securities Index, an exchange rate between two currencies, a treasury product, a bullion, a commodity or such other investment as we may from time to time agree in writing.

It is an express term of each Transaction that:

- neither party acquires any interest in or right to acquire or is obliged to sell, purchase, hold, deliver or receive the underlying instrument; neither party acquires any voting rights in relation to the underlying instrument; and
- that the rights and obligations of each party under the Transaction are principally to make and receive such related payments.

You may be called upon to deposit substantial additional margin, at short notice, to maintain your position. If you do not provide such additional funds within the time required, your position may be closed at a loss and you will be liable for any resulting deficit. You should ensure you monitor your positions closely and always have access to our platforms when you have open positions or pending orders.

### **Risks related to long CFD positions, i.e. for purchasers of CFDs**

Being long in CFD means you are buying the CFDs on the market by speculating that the market price of the underlying will rise between the time of the purchase and sale. As owner of a long position, you will generally make a profit if the market price of the underlying rises whilst your CFD long position is open. On the contrary, you will generally suffer a loss, if the market price of the underlying falls whilst your CFD long position is open. Your potential loss may therefore be bigger than the initial margin deposited. In addition, you might suffer a loss due to the closure of your position, in case you do not have enough liquidity for the margin on your account in order to maintain your position open.

### **Risks related to short CFD positions, i.e. for sellers of CFDs**

Being short in CFD means you are selling the CFDs on the market by speculating that the market price of the underlying will fall between the time of the purchase and sale. As owner of a short position, you will generally make a profit if the market price of the underlying falls whilst your CFD short position is open. On the contrary, you will generally suffer a loss, if the market price of the underlying rises whilst your CFD short position is open. Your potential loss may therefore be bigger than the initial margin deposited. In addition, you might suffer a loss due to the closure of your position, in case you do not have enough liquidity for the margin on your account in order to maintain your position open.

### **Costs and charges**

Before you enter into a Transaction you should make sure you have read and understood our costs and charges. Our costs and charges can be found on our website.

### **Cash Settlement**

Customer understands that CFD and FX Contracts can only be settled in cash and the difference between the buying and selling price partly determines the result of the investment.

### **Effect of “Leverage” or “Gearing”**

For many members of the public, these Transactions are not suitable. You should, therefore, consider carefully whether they are suitable for you in the light of your circumstances and financial resources and investment objectives. In considering whether to engage in this form of investing, you should be aware of the high degree of "gearing" or "leverage" associated with these types of investment products. This stems from the initial financial requirements applicable to such Transactions which generally involve a comparatively modest deposit or margin in terms of the overall market value of the Transaction involved, so that a relatively small movement in the underlying market can have a disproportionately dramatic effect on your Transaction. If the underlying market movement is in your favor, you may achieve a good profit, but an equally small adverse market movement can not only quickly result in the loss of your entire deposit, but may also expose you to a large additional loss over and above your initial deposit.

Although our platforms have features that are designed to help minimize your risk of loss, none of these are guaranteed and you should not rely on them.

### **Not Advice**

We do not provide investment, tax, legal, regulatory or financial advice. Any information we provide to you is purely factual and does not take into account your personal circumstances (for example your available funds and risk appetite). We may give you factual market information or information, in relation to a transaction about which you have enquired, as to transaction procedures, potential risks involved and how those risks may be minimized. Any decision to use our products is solely your decision, therefore you may wish to obtain independent professional advice from a suitably qualified advisor on any investment, financial, legal, regulatory, tax or similar matter before dealing with us.

### **OTC products**

Transactions with LCG are not transacted on a recognized or designated investment exchange, they are an off-exchange, or “over-the-counter” (OTC) derivative which is non-transferable. This means you enter into Transactions directly with us and that those Transactions can only be closed with us. Accordingly, they may expose you to greater risks than exchange transactions because your ability to open and close Transactions is solely dependent on our platforms being able to accept orders from you and to execute them. For example, if you wish to close the position earlier than the time at which it would otherwise automatically expire, you will have to close it at LCG’s quotation which may reflect a premium or discount to the Underlying Market. When the Underlying Market is closed, LCG’s quotation can be influenced by the weight of other client’s buying or selling with LCG. You will have to close any position with the same provider with whom it was originally entered into.

All Transactions are legally binding and enforceable by both parties.

### **Currency Risk**

Investing in FX Contracts and CFDs with an underlying asset listed in a currency other than your base currency entails a currency risk, due to the fact that when the CFD or FX Contract is settled

in a currency other than your base currency, the value of your return may be affected by its conversion into the base currency.

### **Gapping**

Gapping (or Slippage) refers to an occurrence whereby the market moves past a Stop Loss level. This may be because the particular underlying market has become unusually volatile for a period of time. In such instances the underlying market may have stopped trading and may only recommence trading at a price below a Stop Loss level. Where this happens a Stop Loss may not be effective and the Position will be closed at the current LCG Quote.

Accordingly, where you have an open Position in a volatile market environment you must understand the potential impact of Gapping.

Foreign and emerging markets will involve different risks from UK markets. In some cases risks will be greater for example where those markets are less well supervised, have greater or more rapid market fluctuations or when those markets are less liquid. The potential for profit or loss from transactions on foreign and emerging markets or in foreign currency denominated markets will also be affected by fluctuations in foreign exchange rates.

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

### **Safekeeping of clients' money**

LCG will hold your money in accounts at a bank or other financial institution in accordance with the regulations of Securities Commission of the Bahamas (SCB), but this may not afford complete protection, for example if the bank that we use becomes insolvent. Furthermore, we may pass your money or allow another third party, such as an exchange, marketplace, a clearing house, an intermediate broker, a group company, to hold or control your money when it is for the purposes of your transactions and payments through or with that third party or to provide collateral for your Transactions. If you deposit collateral as security with LCG, you should ascertain from LCG how your collateral will be dealt with.