



**RISK
DISCLOSURE**

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Notesco Financial Services Limited (the “Company”), whose registered office is at 2, Iapetou street, Agios Athanasios, 4101, Limassol, Cyprus is authorised and regulated by Cyprus Securities and Exchange Commission under license number 125/10.

Following the implementation of the Markets in Financial Instruments Directive (MiFID) as well as the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017), the Company provides this notice with information about the risks associated when clients are dealing with financial products. This notice cannot and does not disclose or explain all of the risks and other significant aspects involved in trading CFDs or other financial derivative products.

Clients can trade through the Company CFDs on forex, spot metals, futures and shares.

Clients classified as *Retail Clients* receive the highest possible level of protection while *Professional Clients and Eligible Counterparties* are to be able to properly assess the risks involved and enjoy a lower level of protection.

Product description

CFDs

A CFD is an agreement between a ‘buyer’ and a ‘seller’ to exchange the difference between the current price of an underlying asset (currencies, commodities, indices, shares etc.) and its price when the contract is closed.

CFDs are leverages products. They offer exposure to the markets while requiring you to only put down a small margin (‘deposit’) of the total value of the trade. They allow investors to take advantage of prices moving up (by taking ‘long positions’) or prices moving down (by taking ‘short positions’) on underlying assets.

When the contract is closed you will receive or pay the difference between the closing value and the opening value of the CFD and/or the underlying asset(s). If the difference is positive, the Company pays you. If the difference is negative, you must pay the Company.

Notwithstanding the above, the Company provides you with a negative balance protection, per trading account, ensuring that you will not enter into a negative balance and be required to recover such losses and/or pay the Company the difference.

CFDs might seem similar to mainstream investments such as shares but they are different as you never actually buy or own the asset underlying the CFD.

CFDs and other financial derivatives are complex products and they are not suitable for all investors. Before trading CFDs and/or other derivatives, you should ensure that you fully understand the risks and costs involved. You should have extensive experience of trading in volatile markets as well as sufficient time to manage your investment in an active basis. If necessary, seek independent advice.

Although CFDs and other financial derivative products can be utilised for the management of investment risk, some of these products are unsuitable and not appropriate for many clients as they carry a high degree of risk.

CFDs and other financial derivatives are leveraged products and involve a high level of risk. It is possible to lose all your capital.

Trading is considered to be risky and speculative

The client is responsible for all the losses suffered in his account (up to the available balance as a negative balance protection per account applies). Consequently, the client should be prepared to lose all the invested capital. Do not invest money you cannot afford to lose.

Gearing and Leverage

Before the client opens a trade on CFDs or any other financial derivative products, he is required to maintain a margin. Margin is usually a relatively modest proportion of the overall contract value. This means that the client will be trading using “leverage” or “gearing”.

The “gearing” or “leverage” is often obtainable in trading CFDs and other financial derivative products. This means a relatively small market movement can lead to a proportionately much larger movement in the value of the client’s position and this can work either against the client or for the client. The greater the leverage, the greater the risk.

At all times during which the client opens trades, he must maintain enough equity, consider all running profits and losses, for meeting the margin requirements. If the prices move against the client, then the client must deposit funds to avoid any margin calls otherwise the Company will be entitled to close one or more or all the clients’ trades regardless of whether the client agrees with the Company’s decision to close his trade(s).

The Company applies the following Leverage limits and margin close-out rules in accordance with the product intervention measures the European Securities and Markets Authority (ESMA) has agreed up to date. The said measures might be updated from time to time based on ESMA announcements.

Leverage limits on CFD positions

- 30:1 for major currency pairs; *(the major currencies are currency pairs comprising any two of these currencies: USD, EUR, JPY, GBP, CAD and CHF)*
- 20:1 for non-major currency pairs, gold and major indices; *(the major indices are any of these equity indices: FTSE 100; CAC 40; DAX30; DJIA; S&P 500; NASDAQ; NASDAQ 100; Nikkei 225; ASX 200; EURO STOXX 50)*
- 10:1 for commodities other than gold and non-major equity indices;
- 5:1 for individual equities and other reference values.

Margin close-out rule

The Company applies a margin close out rule on a per account basis. The rule standardize the percentage of margin at 50% of minimum required margin at which the Company is required to close out one or more retail client's open positions on CFDs. For more details on the specific margin close out rule (i.e. margin levels) please refer to the specific Terms and Conditions per account type (i.e. STP/ECN) as the specific account can have a higher margin close out rule.

Appropriateness

The Company requires the client to pass through an appropriateness test during the application process and warns the client, if on the basis of the information provided, trading CFDs or any other derivate product is not appropriate based on the client's profile.

Off-Exchange Transactions

When the client trades CFDs with the Company, the client will be entering into an off-exchange ("OTC") derivative transaction, by placing his orders through the Company's trading platform. OTC transactions may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. The client needs to open and close a position with the Company that is not transferable to any other person. In this case, the client may be exposed to the risk of the Company's default.

Counterparty risk

It is the risk that your counterparty defaults and is unable to meet its financial obligations. The Company holds the clients' money in an account that is segregated from other clients' and the Company's money, in accordance with current regulations but this may not afford complete protection.

Underlying Market Volatility

CFDs and other financial derivative products are instruments that allow the client to trade on price movements in underlying markets/instruments. Even though the Company offers its own prices at which the client trades CFDs, the Company's prices are derived based on the underlying instruments/markets.

It is important for the client to understand that the fluctuation of the underlying instrument may influence the value of the derivative product and affect the client's profitability. The client should also be aware of "gapping" where such events can result in a significant profit or loss on the client's account. "Gapping" can occur when the underlying instrument/market is open and when it is closed.

Stop loss limits

There are some circumstances in which a 'stop loss' limit is ineffective, for example, where there are rapid price movements or market closure. Stop limits cannot always protect you from losses.

Liquidity risk

Liquidity risk can affect your ability to trade. Some financial instruments may not become immediately liquid as a result, for example, of reduced demand and the client may not be able to sell them or easily obtain information on the value of these financial instruments or the extent of the associated risks.

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.

If trading after the market is closed, be aware that the prices for these trades can differ widely from the closing price of the underlying asset. In many cases, the spread can be wider than it is when the market is open.

Client Money

When holding Client Money on behalf of a Retail Client, the Company makes adequate arrangements to safeguard the clients' rights and prevent the use of Client Money for its own account. For this purpose, the Company ensures to promptly place any Client money into one or more accounts, denoted as 'clients' accounts which are segregated from the Company's own accounts and opened with any of the following: (a) a credit institution within the European Economic Area ("EEA"); (b) a bank authorized and/or licensed in a third country and (c) a payment provider that has been assessed based on specific criteria imposed by the Company and/or approved by the Company's management. The third party to whom the Company will pass money may hold it in an omnibus account and it may not be possible to separate it from the Client's money, or the third party's money in which case the Client will not have any claim against a specific sum in a specific account in the event of insolvency.

The Company does not accept any liability or responsibility for any resulting losses. In general, accounts held with institutions, including omnibus accounts face various risks including the potential risk of being treated as one (1) account in case the institution defaults. Another risk might be that the funds in the Omnibus Account may be exposed to obligations of the Company connected with the positions of other clients in case the Company is unable to meet its obligations towards them.

Furthermore, the Client acknowledges that the Company, where applicable, may transfer/hold Client Money within or outside the EEA in one or more segregated clients' bank account. Client Money held outside the EEA may be subject to the jurisdiction of that territory and Client rights may differ accordingly. The Company shall not be liable for the solvency, acts or omissions of any institution with which Client Money are held.

Time may not be on your side

If you do not have enough time to monitor your investment on a regular basis, you should not trade CFDs or other complex financial instruments. These products are not suitable to 'buy and hold' trading. They can require constant monitoring over a short period of time. Even maintaining your investment overnight exposes you to greater risk and additional costs. The volatility of the market 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.

Contingent Liability

Transactions in products that are margined, like transactions in CFDs, may have a contingent liability and you should be aware that you might be liable to make a series of further payments depending on the volatility of the market without further notice. The Margin requirement will depend on the Nature of the Transaction. Margin requirements can be fixed or calculated from current price of the underlying instrument, it can be found on the Main Website. If you trade in futures, Contracts for Differences or sell options, you may sustain a total loss of the funds you have deposited to open and maintain a position. If the market moves against you, you may be called upon to pay substantial additional funds at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated and you could lose all your capital. It is noted that the Company will not have a duty to notify the Client for any Margin Call to sustain a loss making position. Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered the contract. Contingent liability investment transactions which are not traded on or under the rules of a recognised or designated investment exchange may expose you to substantially greater risks.

Cost and Charges

All relevant costs and charges will be provided by the Company or set out on the Company's website. Clients should be aware of such costs and charges that may influence the account profitability of the client.

In addition to any profit or losses, there are different types of costs linked to transactions in CFDs. Costs will impact the effective return. Examples of costs include commissions charged by the Company. Costs related to CFD trading may also include bid-offer spreads, daily and overnight financing costs, account management fees and taxes. These costs can be complex to calculate and may outweigh the gross profits from a trade.

Swap Values and Charges

If a client holds any positions overnight, then an applicable swap charge will apply. The swap values are clearly stated on the Company's website and accepted by the Client during the account registration process as they are described in the Company's Terms and Conditions.

The swap rate is mainly dependent on the level of interest rates as well as the Company's fee for having an open position overnight. The Company has the discretion to change the level of the swap rate on each Financial Instrument at any given time and the Client acknowledges that he will be informed by the Company's main website. The Client further acknowledges that he is responsible for reviewing the contract specifications located on the Company's main website and for being updated on the level of swap value prior to placing any order with the Company.

Complex Instruments warning

Complex Instruments are derivative products for which special risks apply. This notice is provided to you as a retail client in compliance with the rules of the Cyprus Securities and Exchange Commission. This notice cannot disclose all the risks and other significant aspects of complex instruments. You should not deal with complex instruments unless you understand their nature and your exposure to risk. You should be satisfied that the product is suitable for you in the light of your circumstances and financial position.

Although complex instruments can be utilized for the management of investment risk, some of these products are unsuitable for many investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should first make acquainted yourself with the risks associated with the investments. Independent financial advice is necessary if you are unsure whether such complex instruments are appropriate for you.

Client's Acknowledgement

The client hereby acknowledges and declares that he has read, understood and thus accepts without any reservation all the information included herein including the following:

- The value of the Financial Instrument (CFDs or any other derivative product) may decrease and the client may receive less money than originally invested or the value of the Financial Instruments may present high fluctuations. It is possible that the invested capital may become of no value.
- Information on past performance of a Financial Instrument does not guarantee the present and/or future performance. The use of historic data does not constitute a binding or safe forecast as to the corresponding future return of the Financial Instruments to which such data refers.
- Some Financial Instruments may not become immediately liquid due to various reasons such as reduced demand and the Company may not be in a position to sell

them or easily obtain information on the value of such Financial Instruments or the extent of any related or inherent risk concerning such Financial Instruments.

- When a Financial Instrument is negotiated in a currency other than the currency of the client's country of residence, any changes in an exchange rate may have a negative effect on the Financial Instruments' value, price and performance.
- A Financial Instrument in foreign markets may entail risks different than the usual risks in the markets at the client's country of residence. The prospect of profit or loss from transactions in foreign markets is also influenced by the exchange rate fluctuations.

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