Alfa Capital
Holdings (Cyprus) Ltd

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| *Registered address:* | *Themistokli Dervi, 5, Elenion Building, 2nd Floor, P.C. 1066, Nicosia, Cyprus* | *Tel: +357 22555800*<br>*Fax: +357 22555 803/4* |
| *Administration office:* | *3 Themistocles Dervis Street, Julia House, 4th Floor, 1066 Nicosia, Cyprus* | *Tel: +357 22 681988*<br>*Fax: +357 22 681505* |


# Risk Disclosure

**Risk Warning**

Contracts for Difference (hereinafter ”CFDs”) are complex instruments and come with a high risk of losing money rapidly due to leverage. 64.8% 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.

## 1. Scope of the Risk Disclosure

Alfa Capital Holdings (Cyprus) Limited, (hereinafter “the Company”) is authorized and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under license number 025/04, for providing investment and ancillary services. The Company operates under the Cypriot Law L.87(I)/2017 titled “Investment Services and Activities and Regulated Markets Law of 2017” and all the services it offers to its Clients are subject to the Market in Financial Instruments Directive 2014/65/EU and the Markets in Financial Instruments Regulation 600/2014 (hereinafter “MiFID II”). The Risk Disclosure document is provided to prospective Clients in accordance with the requirements of the above legislation, which applies to the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related markets.

It should be noted that it is impossible for the Risk Disclosure document to contain all the risks and aspects involved in trading CFDs and other Forex speculative products (e.g. rolling spots). The Risk Disclosure document outlines the general nature of the risks involved on a fair and non-misleading basis. Clients need to ensure that their decision is made on an informed basis and as a minimum, they should be taking into consideration the following.

## 2. Main risks associated with transactions in CFDs and other speculative products

Prior to trading CFDs and other speculative products such as rolling spots, Clients need to ensure that they understand the risks involved. CFDs and rolling spots are leveraged products; therefore, they carry a higher level of risk to one’s capital, compared to other financial products. The value of CFDs and rolling spots may increase or decrease depending on market conditions.

Due to the fact that CFDs and rolling spots are leveraged products, engaging in such trading may not be suitable for all Clients, therefore before investing, independent advice should be sought if necessary. The potential for profit must be balanced alongside prudent risk management, given the significant losses that may be generated over a very short period of time when trading such instruments.

Clients should not commence trading in CFDs or/and other speculative Forex products unless they understand the risks involved.

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## 2.1. Capital Loss and effect of Leverage

When trading under the effect of leverage, even small market movements may have great impact on the Client's deposited funds. It is noted that all accounts trade under the effect of leverage. Under the effect of leverage, and if the market moves against the Client, the Client may sustain a loss greater than the initially invested capital. It should be noted, however, that the Company operates on a "negative balance protection" basis; this means that Retail Clients cannot lose more than their invested capital.

The Client shall be responsible for all financial losses caused by the opening of a position using temporarily available margin on the Client's trading account gained as a result of a profitable position opened at a non-market quote or at a quote received as a result of a manifest error, which was cancelled afterwards by the Company, in line with relevant provisions of the Margin Trading Agreement.

In addition, in the case of a Force Majeure Event[1], the Client shall understand and accept the risk of possible financial losses.

Before investing in margin trading instruments or in any other trading strategy, Clients should understand clearly all risks involved, and ensure that they only invest financial resources that they can afford to lose, if market moves against them.

## 2.2. High Volatility and Slippage

The price of a CFD is derived from the price of the underlying asset. Derivative financial instruments can be highly volatile; their price and the price of the underlying asset may fluctuate rapidly, as a result of events that cannot be controlled either by the Client or the Company (please also refer to Market Risk paragraph below). During such events, it may be impossible for a Client's order to be executed at a declared price, which may lead to losses. During periods of high volatility, a client's order may be executed at a price different to the price the Client expected. The difference between the expected price and the price at which the trade is executed is called "slippage" and it can be either positive or negative. Positive slippage occurs when the price is executed at a better level than the one requested, whilst negative slippage is the exact opposite. In case a slippage occurs, the Client's order will be executed at the next available price or the Client will receive a requote, to which he/she must agree, prior to execution.

## 2.3. Credit and Insolvency Risk

When trading CFDs and rolling spots, Clients are effectively entering into an over-the-counter (hereinafter "OTC") transaction; this implies that any position opened with the Company cannot be closed with any other

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[1] **A Force Majeure Event** includes, but is not limited to, the following: (a) an event or circumstance beyond the reasonable control of the Company, including without limitation fires, strikes, insurrection or riots, embargoes, wrecks, requirements or regulations of any state authority, computer or power failures or breakdown of communication lines; (b) any act, event or occurrence (including without limitation any strike, riot or civil commotion, act of terrorism, war, industrial action, acts and regulations of any governmental bodies or authorities) that, prevents the maintenance of an orderly market in one or more of the trading instruments in respect of which the Margin Trading Agreement relates; (c) the suspension or closure of any market or the abandonment or failure of any event on which the Company bases, or to which it in any way relates, its quote, or the imposition of limits or special or unusual terms on the trading in any such market or on any such event; (d) the occurrence of an excessive movement in the level of any transaction and/or the underlying market or its anticipation (acting reasonably) of the occurrence of such a movement; (e) any breakdown or failure of transmission, communication or computer facilities, interruption of power supply, or electronic or communications equipment failure; (f) failure of any relevant supplier, intermediate broker, agent or principal of the Company, custodian, sub-custodian, dealer, exchange, clearing house or regulatory or self-regulatory organisation, for any reason, to perform its obligations.
As a result of the aforementioned events, the Company may be unable to execute Client's instructions at the declared price and a 'stop loss' instruction cannot guarantee to limit the Client's loss.

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entity. OTC transactions may involve greater risk compared to transactions executed on regulated markets e.g. traditional exchanges; this is due to the fact that in OTC transactions there is no central counterparty and either party to the transaction bears certain credit risk. As a result, Clients are exposed to credit risk in case of default or insolvency of the Company.

The Company's insolvency or default, may lead to positions being liquidated or closed out without the Client's consent. In certain circumstances, the Clients may not get back the actual assets, which they deposited as collateral and they may have to accept any available payments in cash or by any other method deemed to be appropriate.

It is noted that Clients' segregated funds will be subject to the protections conferred by the applicable Regulations. The Company participates in the Investor Compensation Fund ('ICF') for non-professional clients of investment firms regulated in the Republic of Cyprus. Clients will be entitled to compensation under the ICF where the Company is unable to meet its duties and obligations arising from the Client's claim. More information in regards to the ICF can be found in the Company's Terms of Business and at the link: http://www.cysec.gov.cy/en-GB/complaints/tae/information/.

## 2.4. Market Risk

Market Risk is the risk of experiencing losses due to events that affect the overall performance of the financial markets. CFDs and other Forex related transactions are exposed to market events, such as the implementation of governmental, agricultural, commercial and trade programs and policies, national and international socioeconomic and political events, natural disasters etc., which may substantially affect the price or availability of a given underlying. Based on the underlying of each contract, Clients are exposed to different types of market risk such as interest rate risk, commodity risk, equity risk and foreign exchange risk.

Clients must therefore carefully consider their investment objectives, level of knowledge and experience as well as their risk appetite prior to entering this market.

## 2.5. Liquidity of the underlying asset

Liquidity risk is the risk that, for a certain period of time, some of the underlying assets may not be traded quickly enough (i.e. may not become immediately liquid) in the market to prevent or minimise losses. Liquidity risk is typically reflected in unusually wide bid-ask spreads or large price movements. As a result, the Client may not be able to obtain information on the value of these underlying assets or the extent of the associated risks.

## 2.6. Technical Risk

The execution of Clients' orders at all times, at the highest speed possible and in the best interests of the Client, is of great importance to the Company. However, the Client is exposed to the risk of financial loss that might arise due to possible system failures, which can result in the Client's order not being executed according to the Client's instructions or not executed at all. The Company does not accept any liability in the case of such system failures.

The following events shall be regarded as system failures:

- Client's or Company's hardware/software failure, malfunction or misuse;
- Poor Internet connection either on the side of the Client or the Company or both, interruptions, transmission blackouts, public electricity network failures, hacker attacks, overload of connection;
- The wrong settings in the Client's terminal/ trading platform;
- Delayed Client terminal/ trading platform updates;
- The Client disregarding the applicable rules described on the Company's Terms of Business.

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At times of excessive deal flow and/or during unusually high levels of volatility, the Client may experience difficulties with telephone connections with the Company's dealing desk.

### 2.7. Trading Platforms

Client's ability to open and/or close trades depends on the availability of the Company's trading platforms. The Client accepts that the only reliable source of quotes flow information is that of the real/live server; this service may be disrupted and as a result, price related information might not reach the Client's terminal.

The Client shall regularly consult the Help menu or the user guide of the trading platforms.

### 2.8. Communication

The Client may be subject to financial losses that could be caused by the fact that he/she has received with delay, or has not received at all, a notice sent by the Company.

The Client acknowledges that the unencrypted information transmitted by email is not protected from any unauthorised access.

The Client is fully responsible for the privacy of the information received from the Company and accepts the risk of any financial losses caused by the unauthorised access of a third party to the Client's trading account.

The Company has no responsibility if any third person gets access to information, including electronic addresses, electronic communication and personal data, when the aforementioned are transmitted to the Company, or to any other party, where relevant, using the internet or other network communication facilities, telephone, or any other electronic means. It is noted, however, that the Company applies all reasonable steps to ensure that Clients' personal data will be processed in a manner that ensures appropriate security, including possible protection against unauthorised or unlawful processing and against accidental loss, destruction or damage.

### 2.9. Abnormal Market Conditions – Suspensions of Trading

Under certain trading conditions, it may be difficult or impossible to liquidate a position or the period during which the Clients' orders are executed, may be extended. This may occur, for example, at times of rapid price movement, when the prices rise or fall in one trading session to such an extent that under the rules of the relevant exchange, trading is suspended or restricted. Placing a stop loss order will not necessarily eliminate Clients' losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price. In addition, under certain market conditions, the price at which a stop loss order is executed may be worse than its stipulated price and the realized losses can be greater than expected.

### 2.10. Third Party Risk

The Client understands that the Company will promptly place any Client money it receives into segregated Client accounts with reliable credit institutions in the EEA or in a third country. The Company may hold Client money in omnibus accounts, opened in the Company's name. Although the Company shall exercise due skill, care and diligence in the selection of the credit institutions as described in our Terms of Business, it is understood that there are circumstances beyond the control of the Company and hence the Company does not accept any liability or responsibility for any resulting losses to the Client as a result of the insolvency or any other analogous proceedings or failure of the credit institutions where Client money will be held.

For more information in relation to safeguarding and administration of client funds, please refer to the Company's Terms of Business.

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# 3. Additional Disclosures

### 3.1. Rights to Underlying Assets

The Client has no rights or obligations in respect of the underlying assets relating to his/her CFD transactions. The Client understands that CFDs/rolling spots transactions can have different underlying assets, such as currencies, commodities, equities, indices or bonds. The Client also understands that the effect of leverage makes investing in CFDs and rolling spots riskier than investing in the underlying asset itself.

### 3.2. Taxation

Although investing in CFDs does not involve taking physical delivery of the underlying financial instrument, the Clients should seek independent tax advice, if necessary, to establish whether they are subject to any tax, including stamp duty.

### 3.3. Margin Requirements

Clients must maintain the minimum margin requirement on their open positions at all times. It is the Client's responsibility to monitor his/ her account balance. The Client may receive a margin call to deposit additional cash if the margin in the account concerned is too low. The Company has the right to liquidate any or all open positions whenever the minimum margin requirement is not maintained and this may result in Client's positions being closed at a loss for which the Client will be liable. Retail Clients cannot lose more than their invested capital.

### 3.4. Conflicts of Interest

The Company is the counterparty to all transactions entered into under the Margin Trading Agreement. In some cases, the interests of the Company may be in conflict with the Clients' interests. Nevertheless, the Company is committed to be acting honestly, fairly and in the Clients' best interests. In the case where the measures put in place are not sufficient to avoid or manage a conflict of interest relating to a Client, the Company will disclose the conflict of interest before undertaking further business with the Client. Further information about conflicts of interest can be found in the Company's Terms of Business.