

Risk Disclosure Statement

You are considering entering into contracts for differences transactions with us (CFDs). CFDs are leveraged (or margined) products and carry a high degree of risk. CFDs are therefore not suitable for all investors.

1. Introduction

This Risk Disclosure Statement (**Statement**) is provided by Swissquote Ltd, a company incorporated in England and Wales (registered number 07710095) and whose principal place of business is Boston House, 63-64 New Broad Street, London EC2M 1JJ (**we, us, our**) to all of our customers (**you, your**).

This Statement is intended to make you aware of and disclose to you some of the potential risks in respect to trading on the financial markets and should be read in conjunction with our Terms and Conditions of Business and Account Opening Form. In addition to the disclosures made in this Statement, please also refer to our website where we have set out further information which is regularly updated with transactional data relating to risks.

If you trade with us you will be entering into a transaction with us on a margined basis in a CFD where the underlying investments or products on which the price of the CFD is based include foreign exchange contracts, commodities, equity indices, bonds and any other underlying products we may offer from time to time (collectively **Underlying Products**).

This Statement provides you with information about the risks associated with trading CFDs, but it cannot explain all of the risks. If you are in any doubt you should consult a third party independent professional financial advisor. It is important that you fully understand the risks involved before deciding to open an account and before trading any CFDs.

2. Execution Only Services

We will provide you with an execution only service, and will not provide you with advice. Therefore you should seek independent investment advice if necessary. We will not carry out a suitability assessment for any proposed CFD transactions, and you should familiarise yourself with all aspects of CFD Trading and the Underlying Products you wish to transact in and the associated risks, particularly as set out in this Statement. You are responsible for all investment decisions and you are liable for any profit or loss on your account.

Transacting in CFDs is highly speculative, involves a high degree of risk and is generally appropriate only for persons who can assume and sustain a loss of their initial investment (or "margin"). If you are a Retail Client as defined in the Terms and Conditions of Business then your aggregate liability for all CFDs connected to your CFD trading account with us is limited to the funds in your CFD trading account (though you could still lose the entirety of that amount). If you are a Professional Client then you will not benefit from the foregoing protection and you may sustain a loss in excess of your initial investment. You should not carry out transactions in CFDs if you are seeking a regular or a safe return.

We will **not** make an assessment as to the suitability of each CFD transaction for you, however, we will consider if CFDs and our services are appropriate for you. You should only carry out transactions if you understand the nature of the CFDs and Underlying Products and the extent of your exposure to the associated risks.

You undertake to analyse your personal (in particular financial and tax) situation carefully before trading CFDs. By using our services, **you confirm** that you have the necessary financial resources to enter into any CFD transactions. You will only invest assets that you can afford to lose, and you will cease transacting in CFDs if your personal situation changes so that you can no longer sustain any possible losses. You understand that you should only risk capital that is not required for meeting your living expenses and that is proportionate to your income and other assets when trading CFDs.

We strongly recommend you open a free demo account and review the educational material on our website before opening a live account and risking any capital.

3. Risks

While carrying out transactions in CFDs sometimes offers opportunities for high profits, it can at the same time bear a high risk of losses since small variations in the price of an Underlying Product can lead to considerable changes in the value of the CFD. We have set out below the main risks associated with undertaking transactions in CFDs.

3.1. Gearing and Leverage

Transacting on margin means you only have to deposit a small percentage of the overall value of your position, this is known as Gearing or Leverage.

We will determine the amount of money (or margin) you need to deposit with us in order to enter into a CFD

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and maintain the position (**Margin Requirement**). When you enter into a CFD you must have enough money on account with us (cash and unrealised Profit & Loss) to satisfy the Margin Requirement for all open trades.

A small market movement in the price of an Underlying Product may have a large impact on the value of particular CFD positions (or total net equity) on your account with us. By way of example, if you were to deposit EUR 10,000 in order to open a EUR/USD position with a "margin multiplier" or leverage rate of 20, your EUR/USD position would be EUR 200,000. If the EUR falls in value by 1% against the USD, your subsequent loss would be EUR 2,000 (i.e. 20% of your invested amount). There are minimum legally required margin limits for Retail Clients (which are set as percentages of the notional value of the CFD and which are set out in a Schedule to our Terms and Conditions of Business). There are no minimum margin requirements in the case of Professional Clients.

Similarly, if there is a significant market movement against you, you may, if you are a Professional Client, sustain a total loss greater than the funds deposited with us and you will be responsible for all losses on your account. If you are a Retail Client and there is a significant market movement against you, you may still sustain a significant loss but your aggregate liability for all CFDs connected to your CFD trading account with us is limited to the funds in your CFD trading account. Subject to the foregoing, you are responsible for all losses on your accounts.

It is your responsibility to determine whether the level of margin is suitable for you when entering into a CFD transaction.

At all times that you have open positions, you must ensure that your account balance remains adequately funded so that your Margin Requirement is met. Therefore, if the market moves against you, you may need to provide us with substantial additional funds, at short notice, to maintain your open positions. If you do not do this, we will be entitled to close positions on your account. You will be responsible for any losses and costs incurred by us in doing so.

From time to time price fluctuations in Underlying Products may be so rapid that your position will be liquidated automatically before we have a chance to reset a Margin Requirement and/or you have an opportunity to meet the revised Margin Requirement.

From time to time market conditions and other factors may result in us altering, at our absolute discretion, the Margin Requirement on any positions held with us by any customer or group of customers without notice.

Where we exercise our right to make such an alteration, the associated change to the Margin Requirement of any of your positions may result in your positions being liquidated automatically before you have an opportunity to meet the revised Margin Requirement.

3.2. Position Monitoring

You are solely responsible for the management and monitoring of your open positions. We are not responsible for monitoring positions on your account.

If you are a Professional Client, we are under no obligation to you to close out your positions if you suffer losses and/or the balance of your account decreases. If you are a Retail Client we will close (on terms most favourable to you) any open transaction when the sum of the funds in your account and the unrealised net profits of all open CFDs connected to your account falls to less than half of the relevant Minimum Initial Margin Requirements for all those open CFDs (as specified in the Terms and Conditions of Business).

You understand that, in order to minimise the risk of incurring substantial losses and avoid the closure of your positions, you must access your account frequently to monitor the Margin Requirement on any open positions you may have.

3.3. Over The Counter Transactions (OTC)

CFDs are OTC, or off-exchange transactions (i.e. they are not traded on a regulated market or exchange). While some OTC markets are highly liquid, transactions in OTC products may involve greater risk than investing in on-exchange products because there is no exchange or market on which to close out an open position. This means that market liquidity cannot be guaranteed and it may be difficult or impossible to liquidate an existing position, to assess the value of the position arising from an OTC transaction or to assess the exposure to risk.

All CFD transactions are undertaken on a principal to principal basis, meaning that we are always your counterparty, so when you open a position with us, you can only close that position with us.

Transacting in our CFDs does not entitle you to any right to the Underlying Product.

Sudden market movements in any underlying exchange or market, known as "gapping", may occur causing a dramatic shift in the price of the Underlying Product and therefore the price of the related CFD. Similarly, events may occur while any underlying exchange or market for an Underlying Product is closed - for

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example over a week-end or, more generally, outside the days on which we offer our services (the **Business Days**) - meaning the price when the underlying exchange or market re-opens may be at a significantly different level, and consequently the value of your CFD would also move significantly.

3.4. Liquidity and Volatility

Liquidity risk is the risk that you will not always be able to obtain an appropriate price when selling an asset, due to a lack of liquidity in the market. When financial instruments are impossible to sell or can only be sold with difficulty and at a sharply reduced price, the market is said to be illiquid.

The markets for some Underlying Products may experience periods of decreased liquidity or even periods of illiquidity. This liquidity risk may affect all the participants in the market and will impact on the price of any Underlying Product and hence of the related CFD (by significantly reducing the price).

Some markets or sectors within markets for an Underlying Product are extremely volatile meaning that the price of the related CFD will also be volatile.

3.5. Execution Risk

Execution risk is associated with the fact that trades may not take place immediately. When you request execution of an order, it is possible that the market price of the Underlying Product could have changed between order placement and execution time, and therefore we cannot guarantee that the price requested will be the same as the price that the order is executed and a related CFD transaction is confirmed. Orders cannot be executed outside the Business Days. This may cause considerable losses. Your open orders may also not be cancelled outside the Business Days or outside the hours of operation of the forex platforms.

To limit losses, we provide you with a facility to choose 'stop loss' limits. These automatically close your position when it reaches a price limit of your choice. There are however circumstances in which a 'stop loss' limit is ineffective – for example, where there are rapid price movements, gapping (as described above), situations of illiquidity or market closure – and, in such circumstances, your position may be closed at a price which falls significantly outside the price limit chosen by you.

As described above, however, we will, if you are a Retail Client, close (on terms most favourable to you) any open transaction when the sum of the funds in your account and the unrealised net profits of all open CFDs connected to your account falls to less than half of the

relevant Minimum Initial Margin Requirements for all those open CFDs (as specified in the Terms and Conditions of Business). Moreover, if you are a Retail Client, your aggregate liability for all CFDs connected to your CFD trading account with us is limited to the funds in your CFD trading account.

3.6. Foreign Markets

Underlying Products in foreign markets will often involve different risks from those in UK markets. In some cases the risks will be greater. Transactions linked to such foreign markets (for example if the Underlying Products are foreign shares) might involve Underlying Products denominated in foreign currencies which will be affected by fluctuations in foreign exchange rates.

The risks associated with CFD transactions where the Underlying Product is linked to emerging market currencies or investments can be very high (depending on the jurisdictions). For example, many emerging markets lack a strong infrastructure, telecommunications are generally poor, and banks and other financial systems are not always well developed, well regulated and well integrated.

These countries may also have considerable external debt which could affect the proper functioning of their economies with a corresponding adverse impact on the performance of their markets. Tax regimes may be subject to the risk of a sudden imposition of arbitrary or onerous taxes, which could adversely affect you.

3.7. Other

In some instances, the rules applicable to a market on which an Underlying Product is traded may grant wide powers to clearing houses or other bodies, organisations and companies which, if exercised, might adversely impact upon your positions or your ability to carry out CFD transactions.

In the event of our insolvency or liquidation, or that of any of our counterparties or custodians, your open positions may be liquidated against your wishes and without consultation or prior notice.

4. Commissions and Charges

Before entering into any transaction, you should make yourself aware of all commissions and other charges that may apply. If any charges are not expressed in monetary terms (but, for example, as a percentage of contract value), you should ensure that you understand what such charges are likely to amount to.

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Our commissions and charges are displayed on our website.

5. Electronic Trading

Our CFD trading facilities are offered primarily via the internet, offering you the opportunity to trade and communicate with us via electronic means. Although electronic communication is often a reliable way to communicate, no electronic communication is entirely reliable or always available. If you choose to deal with us via electronic communication, you should be aware that electronic communications can fail, can be delayed, may not be secure and/or may not reach the intended destination.

6. Governing Law

This Statement as well as our Terms and Conditions of Business shall exclusively be governed by and construed in accordance with English law and any dispute is subject to the exclusive jurisdiction of the English courts, so you may have to bring or defend proceedings in England.