

CMC Markets Canada Inc. (“CMC Markets Canada”, “we”, “us” or “our”), whose registered office is at 81 Bay Street, Suite 3550, Toronto, Ontario, M5J 0E7, is a registered investment dealer in all of the provinces and territories of Canada, a derivatives dealer in Quebec and a member of the Canadian Investment Regulatory Organization (“CIRO”) and of the Canadian Investor Protection Fund (“CIPF”). It is important that you read and understand this Risk Disclosure Statement before accepting it. Except where expressed otherwise, certain terms used in this Risk Disclosure Statement have specific meanings as set out in Schedule 2 of the Terms of Business (or the MT4 Terms of Business, as applicable).

CMC Markets Canada is committed to treating you honestly, fairly, professionally and in your best possible interests when providing investment services to you. In this Risk Disclosure Statement, we provide you with information to help you understand the nature and risks of our contracts for difference (“CFDs”) and our services.

CMC Markets Canada is required by its applicable regulators to provide clients with a description of certain risks involved with trading in financial derivative products. However, this Risk Disclosure Statement does not explain all of the risks and other significant aspects involved trading with us. You should take sufficient time to read all the relevant information that we provide to you before entering into a Trade.

This Risk Disclosure Statement is provided to our clients who reside in Canada and/ or such jurisdictions as CMC Markets Canada may determine in its sole discretion (“client” or “you”) because you are proposing to undertake dealings with CMC Markets Canada in CFDs under the Terms of Business (or, as applicable, the MT4 Terms of Business) applicable to your Account.

Trading CFDs is not suitable for everyone and requires the financial ability and willingness to accept the high risks inherent in such an investment. You should carefully consider whether trading CFDs is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. No assurance can be given that you will receive a return of your capital or any profit thereon.

Our Products can carry a high risk to your capital as Prices may move rapidly against you, particularly during volatile market conditions. You can lose more than any investment and you may be required to make further payments. The higher the leverage (where applicable) involved in a Trade, the higher the risks involved.

You should not enter into Trades with us unless you fully understand the risks involved. If you are in any doubt you should seek independent professional advice.

This Risk Disclosure Statement cannot and does not disclose or explain all of the risks and other significant aspects involved in trading in CFDs and other financial derivative products, including our Products. You should take sufficient time to read all the relevant information that we provide to you, including this Risk Disclosure Statement, the Terms of Business (or, as applicable, the MT4 Terms of Business) applicable to your Account, our Order Execution Policy, and the information on our Website and Platform (or the Trading System, as applicable).

In light of the risks, you should only trade our Products if you understand their nature, the contractual relationships into which you are entering and the extent of your exposure to risk. Engaging in these types of Trades can carry a high risk to your capital. You should not engage in trading CFDs and other financial derivative products, including our Products, unless you understand the nature of the Trades you are entering into and the true extent of your exposure to the risk of loss. You should also be satisfied that our Products are suitable for you in the light of your circumstances and financial position.

In addition to the risk disclosure required by CIRO and Canadian securities administrators under Applicable Law set out in Appendix A hereto, CMC Markets Canada is providing the following general disclosure in relation to the Products and services provided to you. Different Products involve different levels of exposure to risk. In deciding whether to trade in our Products, you should be aware of the following points:

## 1. General.

- 1.1 Although CFDs and other financial derivative products, including our Products, can be utilised for the management of investment risk, these products are generally unsuitable for most people as they carry a high degree of risk. The “gearing” or “leverage” associated with trading CFDs and other financial derivative products, including our Products, means that the initial deposit made to trade can lead to large losses that exceed the amount of your initial deposit. It also means that a relatively small market movement can lead to a proportionately much larger movement in the value of your Position in our Products, and this can work against you. Your Trades in our Products are margined. You should therefore be aware of the implications of trading on margin, which are further set out below.
- 1.2 Trading our Products allows you to have exposure to securities with a relatively small initial cash collateral deposit. Furthermore, if you fund the margin requirements using borrowed funds, which is strongly advised against (see paragraphs 15 and 16), your effective leverage can reach excessive levels. You should note that your losses can exceed the amount of margin you paid in some circumstances. **Therefore, you may sustain losses that are greater than the margin deposit you were required to make and to maintain a Position in any of our Products.**
- 1.3 CMC Markets Canada also has the right, whether with or without prior demand, call or notice, and in addition to any other rights it may have under the Terms of Business (or, as applicable, the MT4 Terms of Business)

applicable to your Account, to close out all or part, of your open Positions, as CMC Markets Canada reasonably considers appropriate.

## **2. Derivative markets are speculative and volatile.**

- 2.1 Derivative markets can be highly volatile. The prices of our Products and their underlying instruments may fluctuate rapidly and over wide ranges, and may reflect unforeseeable events or changes in conditions, none of which can be controlled by you. The prices of our Products will be influenced by, among other things, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and prevailing psychological characteristics of the relevant underlying marketplace. Market conditions (e.g. liquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any CFD or underlying instrument because of price limits or “circuit breakers”) may increase your risk of loss by making it difficult or impossible to effect transactions or liquidate/offset your Positions. Further, normal pricing relationships between the underlying instrument and the CFD may not exist. The absence of an underlying reference price may make it difficult to judge fair value.

## **3. Margin and the effect of leverage in general.**

- 3.1 CFDs and other financial derivative products, including our Products, are margined, and require you to make a series of payments against the contract value, instead of paying the whole contract value immediately. This means that our Products can involve significant leverage, which can have the effect of magnifying potential losses, and consequently carry significant risk. Where you enter into Trades in our Products, you must maintain sufficient margin on your Account at all times to maintain your open Positions. We provide you with online access to enable you to monitor your Margin requirement at all times. We revalue your open Positions continuously during each Business Day, and any profit or loss is immediately reflected in your Account. A loss (which may or may not result in a Margin Call) may require you to immediately provide additional funds in your Account to maintain your open Positions. We may also change our initial Margin Rates and/or notional trading requirements at any time, in accordance with the Terms of Business (or, as applicable, the MT4 Terms of Business) applicable to your Account, and this may also result in a change to the Margin you are required to maintain. If you do not maintain sufficient Margin on your Account at all times and/or provide such additional funds within the time required, your open Positions may be closed at a loss and you will be liable for any resulting deficit.

## **4. Our Products may not be appropriate for you.**

- 4.1 We are under a regulatory duty to assess whether our Products and services are appropriate for you. When we process your application to open an Account with us, we will conduct an assessment as to whether you have sufficient knowledge and experience to understand the risks involved in investing in any of our Products based on the information you provide us. We will inform you if, as a result of our assessment, we consider that any of our Products may not be appropriate for you. However, our assessment does not relieve you of the need to carefully consider whether to invest in our Products. Any decision to invest is entirely at your own risk.
- 4.2 If we warn you that investing in our Products may not be appropriate for you on the basis of your knowledge and experience, then you should refrain from trading. If you still wish to enter into Orders, you should only invest once you have acquainted yourself sufficiently with our Products through the demo account available on our Website and understand the risks involved.

## **5. We do not provide investment, tax, legal, regulatory or financial advice.**

- 5.1 We do not provide investment, tax, legal, regulatory or financial advice relating to investments, our Products or your possible Orders. Any information we provide to you, including any information provided by our client management team, is purely factual and does not take into account your personal circumstances. 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 opening an Account with us or entering into any Trades.

## **6. Our Products are OTC (‘over-the-counter’) products.**

- 6.1 When you enter into Trades in any of our CFDs, you will be entering into an off-exchange (sometimes known as an ‘over-the-counter’, or ‘OTC’) contract, which is non-transferable. This means you will enter into Trades in any of our Products directly with us, and also that those Trades or Positions can only be closed with us. This involves greater risk than investing in a transferable financial instrument traded on a Trading Venue such as a share or dealing in an exchange-traded derivative, because your ability to place Orders with us is solely dependent on our Platform (or the Trading System, as applicable) and/or our client management team being in a position to accept Orders from you and to execute them. In certain circumstances it may not be possible to open or close trades in our Products (see paragraphs 9, 10, 12 and 14). It may be impossible to liquidate an existing Position, to assess the value of the Position arising from an off-exchange transaction or to assess the exposure to risk. Bid Prices and Offer Prices need not be quoted by us, and, even where they are, we may find it difficult to establish a fair price particularly when the relevant exchange or market for the underlying is closed or suspended.
- 6.2 In addition, all of your Trades with us are settled in cash, and you do not have any rights to any underlying instrument (including ownership or voting rights in any underlying instrument).

- 6.3 You can only profit from our CFDs through changes in our Prices. This is different from other transferable financial instruments traded on Trading Venues where you can profit from real market fluctuations and where you may be entitled to dividends or interest.

## **7. We act as a market maker.**

- 7.1 CMC Markets Canada, its associates and/or other persons connected with CMC Markets Canada may have an interest, relationship or arrangement that is material in relation to any Trade that you enter into with CMC Markets Canada. These conflicts of interest may arise because CMC Markets Canada is the Product issuer and therefore, we have an opposing interest in the Price at which you trade and the subsequent movement in our Products' Prices.
- 7.2 CMC Markets Canada is a market maker, not a broker. We will always act as a principal, not as an agent, for our own benefit in respect of all Trades with you.
- 7.3 CMC Markets Canada may also make trades as a principal in the relevant underlying instruments on which our Products are based, including shares and futures. In particular, CMC Markets Canada may at its sole discretion, hedge its liability to you in respect of your Positions by trading in the relevant underlying instruments in the underlying markets. However, CMC Markets Canada has no obligation to do so and is under no obligation to inform you as to whether or not it has done so. Our trading activities may have an effect (positive or negative) on the Prices of your Trades in our Products.
- 7.4 Our Prices take into account current exchange and market data from various sources. This means that our Prices may not be identical to prices for similar financial instruments or the relevant underlying instrument quoted on an exchange, other regulated market or other Trading Venues.
- 7.5 In certain circumstances, we may not be able to use our standard pricing models for example, where market conditions prevent us from doing so. In this case we may revert to other pricing methodologies.

## **8. You may lose more than any deposit when you enter into Trades with us.**

- 8.1 When you enter into Trades with us, you risk losing more than the amount (if any) that you deposited with us and you may be required to make further payments. Although our Platform (or the Trading System, as applicable) have features that are designed to help limit your risk of loss, none of these other than Guaranteed Stop Loss Orders, are guaranteed and you should not rely on them. Please note that Guaranteed Stop Loss Orders are not available on the Trading System.
- 8.2 The amount of loss for an individual Trade will be the amount that you owe us when that Trade is closed. Trades involve leverage (also known as 'gearing' or 'margin'), which means that the effects of small movements in Price are multiplied and may have large impacts on the value of your Positions, both in respect of profits made and losses incurred and the higher the leverage rate, the higher the risk involved. In addition, the nature of leverage means that your losses may exceed the amount of any deposit (if any) that you hold with us when entering into the Trade.
- 8.3 It is therefore important that you monitor your Trades closely and the rate of leverage utilised. A small movement in Price may have a large impact on your Trades and Account and may result in immediate Account Close-Out.
- 8.4 There are costs associated with trading with us. Depending on the Trades you enter into, and how long you hold them for, we may require you to pay Commission and/or Holding Costs. If you keep Trades open for an extended time, the aggregate Holding Costs may exceed the amount of any profits or increase your loss. Only trade with money you can afford to lose.
- 8.5 If we have agreed to provide you with the sales trader service and have waived or permitted a negative Margin on your Account, this does not restrict your losses or financial liability. You are still liable to pay all losses which are due and payable to us.

## **9. Your Trades and Positions are at risk of being closed automatically.**

- 9.1 The automatic closure of your Trades and/or Positions by our Platform (or the Trading System, as applicable) and/or our client management team (as applicable) is intended to prevent you incurring further losses and we may close all Trades and/or Positions on your Account, not just the Positions that are making a loss. However, we do not guarantee such closure and you must not rely on it. It is your responsibility to monitor your Positions and your Account Revaluation Amount closely. Our Platform (or the Trading System, as applicable) and/or our client management team (as applicable) will attempt to notify you when your Account Revaluation Amount or when your Cumulative Risk Limit reaches and/or exceeds specific levels, although you should not rely on our Platform (or the Trading System, as applicable) and/or our client management team giving you this warning. To prevent Account Close-Out, you should keep an amount in your Account that allows sufficient headroom to keep your Positions open in case of sudden changes to the required Margin amount and that you did not exceed your Cumulative Risk Limit resulting from Price movements. It is important to note that an amount deposited into your Account (which appeared to be sufficient) can very quickly become insufficient, due to rapidly changing market conditions.
- 9.2 In addition to the above, where we have agreed to provide you with the sales trader service:

- 9.2.1 your Trades may be closed by our client management team. Our client management team will attempt to notify you when your Account Revaluation Amount reaches a specific level, although you should not rely on our client management team giving you this warning; and
- 9.2.2 if an Account Close-Out is triggered outside of Canada office hours, the relevant Account Close-Out procedure may be delayed. The balance on your Account may be significantly lower by the time we are able to contact you e.g. due to market movements.

#### **10. Market circumstances may impact your Trades in any of our Products.**

- 10.1 Our Platform (or the Trading System, as applicable) and the information provided by our client management team, is dependent on the availability of prices and liquidity in the exchanges, markets and other venues from which we gather market data and similar information. As a result, market circumstance may impact on your ability to place an Order for, or close a Trade with us, and we may be unable to execute your Orders for Trades where we cannot enter into a corresponding transaction to hedge our own risk. Additionally, when we enter into a corresponding transaction to hedge our risk, this influences the Prices we quote on our Platform (or the Trading System, as applicable) and/or through our client management team.
- 10.2 Financial markets may fluctuate rapidly and this will impact our Prices. Any movements in our Prices will have a direct and real time effect on your Trades in any of our Products. One form of price volatility that can happen regularly is 'gapping', where there is a sudden shift in Price from one level to another caused (for example) by unexpected economic events or upon the market opening. In periods of price volatility, there may not always be an opportunity for you to place an Order for a Trade between two Prices, or for our Platform (or the Trading System, as applicable) and/or client management team (if we have agreed to provide you with the sales trader service) to execute a Pending Order (where available) at a Price between those two Prices. Price volatility of this kind can result in your Order being executed at the next available Price and you incurring significant losses if the Price is less favourable on an affected Trade.

#### **11. The Price of our Products may be different from the Price you see on our Platform (or the Trading System, as applicable) and/or the Price provided by our client management team when you place an Order.**

- 11.1 As a result of fluctuations in financial markets and/or technical considerations, there is a risk that the Price which you see through your device and/or which is provided by our client management team when you place an Order will not be identical to the Price at which the Trade is executed at or settled against, and that the corresponding difference puts you at a disadvantage. We attempt to generate Prices on a continuous basis and to have the currently applicable Prices shown on our Platform (or the Trading System, as applicable) as quickly as possible. However, technical conditions may lead to a change in the applicable Price between the time an Order is placed and the time it is received by us or executed by our Platform (or the Trading System, as applicable). If such changes occur, the Order is generally executed at the Price applicable when it is executed by our Platform (or the Trading System, as applicable).
- 11.2 Such movements in the Prices may either be to your disadvantage or have a favourable impact. You can limit the effect of such movements in Prices by using a boundary (on Orders where this is available) or by applying certain limits to your Order.

#### **12. Technical risks and other circumstances may affect your Trades in any of our Products.**

- 12.1 There is a risk that other circumstances may prevent us from executing Orders or prevent you from accessing our Platform (or the Trading System, as applicable) and/or our client management team, such as system errors or outages. Such circumstances may mean that you are not able to access our Platform (or the Trading System, as applicable) and/or our client management team, which may pose a significant risk to the execution of your Orders.

#### **13. Different Products pose different risks.**

- 13.1 We offer numerous Products, which are derived from very different underlying instruments. Each of these Products poses specific risks which can differ widely from other Products, for instance with regard to the range and speed of fluctuations in Prices or with respect to liquidity. Certain Products are more volatile than others and may be even more susceptible to sharp and sudden movements in Price, which could affect the value of your Positions. Therefore, you should ensure that you understand the specific risks of a Product before you trade in that Product.
- 13.2 Where a Product is based on multiple underlying instruments (known as a 'basket product'), the risk involved in that basket product will be dependent on its constituents. Similarities in a basket product's constituents can make the basket product riskier. If you choose to use a basket product then you should make sure that you understand the risks involved in: (a) all the different constituents, (b) the overall combination of constituents and (c) how the constituents are given their respective weightings.

#### **14. Foreign markets add further risks.**

- 14.1 Foreign markets will involve different risks from Canadian markets and in some cases those risks will be greater than those typically associated with Canadian markets. These risks can impair our ability to generate Prices. The potential for profit or loss from Trades relating to foreign markets will also be affected by fluctuations in



foreign exchange rates and you should consider how such fluctuations may affect you before entering into a Trade.

- 14.2 In particular, where the relevant Product Currency is different to the relevant Account Currency, Margin requirements, Holding Costs, realised and unrealised losses or profits will be converted to the Account Currency at the CMC Currency Conversion Rate. Depending on the CMC Currency Conversion Rate and currency fluctuations, this may have an impact on your Account Revaluation Amount and on any eventual profits that you make or losses that you incur.

**15. You should not finance your Trades in any of our Products on credit.**

- 15.1 You must not rely on being able to redeem borrowed funds with any profits from any Trades in our Products.

**16. CIRO leverage disclosure.**

- 16.1 CMC Markets Canada, as a member of CIRO, is required to provide the following disclosure to clients seeking to trade in any product that involves leverage, including our Products:

“Using borrowed money to finance the purchase of securities involves greater risk than using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.”

**17. Past performance is not indicative of future performance.**

- 17.1 You should bear in mind that any past performance, simulation or prediction is not indicative of future performance. Therefore, you cannot and must not make any assumptions as to future performance based on any past performance, simulation or prediction.

**18. We cannot guarantee protection of your money.**

- 18.1 Money that we hold on your behalf will be held in a segregated client money Bank Account *in trust* separate from our own money, although this may not provide complete protection (for example, if the bank that we use becomes insolvent).

- 18.2 Full details on how we will treat your money are provided in the Terms of Business (or, as applicable, the MT4 Terms of Business) applicable to your Account and you should ensure that you have read the Terms of Business or MT4 Terms of Business (as applicable) carefully before opening an Account with us or entering into any Trade in any of our Products.

**19. Tax treatment may vary.**

- 19.1 The tax treatment of your trading activities depends on your individual circumstances and may be subject to change in future.

**20. Access to our Platform (or the Trading System, as applicable) via mobile applications and to the client management team.**

- 20.1 The functions that enable you to access our Platform (or the Trading System, as applicable) via mobile applications (where available) are not identical to the functions available to you when accessing our Platform (or the Trading System, as applicable) via a desktop computer. This may limit the information that you are able to see at any particular time and adversely affect your ability to take quick and reliable actions on our Platform (or the Trading System, as applicable) and to limit the related risks.

- 20.2 We will do our best to make the client management team available when required by you. However, during periods of high demand and due to Circumstances Outside Our Control, we cannot guarantee that you will always be able to access a member of the client management team. This may prevent you from taking quick actions and increases the risks associated with our Products.

**21. Access to any additional sales trader service.**

- 21.1 If we have expressly agreed to provide you with the sales trader service, we will do our best to make the client management team available when required by you. However, during periods of high demand and due to Circumstances Outside Our Control, we cannot promise that you will always be able to access a member of the client management team. This may prevent you from taking quick actions and increases the risk associated with investing in our Products.

**22. Suspension of trading.**

- 22.1 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 for the underlying rises or falls in one trading session to such an extent that trading in the underlying is restricted or suspended.

**23. Reliance on the CMC Markets Canada Platform (or the Trading System, as applicable).**

- 23.1 The operation of your Account is reliant on the continuing operation of, among other things, our Platform (or the Trading System, as applicable), as amended and varied from time to time, internet connectivity, and your personal computer and related software. A fault, delay or failure in any of these could result in delays or failures in respect of your Orders or Account. While we will endeavour to provide you with access to the Platform (or the Trading System, as applicable) 24 hours a day, 7 days a week, we do not control signal power, its reception or

routing via the internet, configuration of your equipment or reliability of its connection. We therefore cannot be responsible for any communication failures, distortions or delays experienced when you trade our Products via the Internet. By undertaking Trades on our Platform (or the Trading System, as applicable), you will be exposed to risks associated with the system, including the failure of hardware and software. Your ability to recover certain losses which can be attributed to trading on our Platform (or the Trading System, as applicable) may be limited to less than the amount of your total loss.

#### **24. Reliance on third party data providers.**

24.1 In addition, CMC Markets Canada is dependent upon third party data providers to supply the information necessary for its operations. As with the reliance on the Platform (or the Trading System, as applicable), the operation of your Account is reliant on the continuing operation of these third party data providers. Any interruption in or cessation of services by any third party data provider could have a material adverse effect on your ability to open and close Positions.

#### **25. Possible loss of funds in the event of insolvency or bankruptcy.**

25.1 Your capital may be at risk in the event that CMC Markets Canada, the counterparty to each of your Trades in our Products, became the subject of insolvency or bankruptcy proceedings. In that event, you may lose part or all of your unrealized gains in a Position or your money appearing as a free credit balance on your Account. You may however be able to bring a claim against CMC Markets Canada under applicable Canadian bankruptcy and insolvency legislation.

#### **26. Changes to Applicable Law.**

26.1 Changes to securities, tax and other laws and regulations, as well as to government, fiscal and regulatory policies in respect of all or part of the business carried on by CMC Markets Canada may have a material adverse effect on your dealings with CMC Markets Canada.

26.2 CMC Markets Canada is a registered dealer in the distribution of CFDs to clients residing in Canada. As a member of CIRO, certain integral features of the Products we offer in Canada through CMC Markets Canada, including the margin percentage applied to Positions and the types of underlying instrument, are required to be in compliance with the rules, regulations, policies, member notices and bulletins of CIRO (the "CIRO Rules"). The CIRO Rules may be amended from time to time and may have a materially adverse effect on the scope or attractiveness of the Products we offer to you.

#### **27. Charges and Commissions.**

27.1 Before you begin to Trade, you should obtain from us and read the details of all Commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. When Commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.

27.2 Commission, Spreads and other transaction fees can have a material adverse effect on a client's market position and ability to break even and, therefore, ultimately affect profits and losses. In order to achieve a net profit on any transaction, the price received upon the sale of the market position must exceed the purchase price by at least the amount of Commissions and other fees paid. Trading CFDs may involve frequent purchase and sale transactions, resulting in significant fees and Commissions.

#### **28. Execution Only Dealer and No Advice Provided.**

28.1 CMC Markets Canada is an execution only dealer and does not provide any investment advice or recommendations regarding the purchase or sale of any of our Products. Therefore, all trading decisions you may make should be done in reliance solely on your own judgment and at your own risk. You must rely on your own judgment and information before trading and, where appropriate, seek independent advice.

28.2 All opinions, news, research, analysis, prices or other information sent by email by us to you or contained on the Platform (or the Trading System, as applicable) or our Website or on any of our affiliates' website or through external third party sources are provided as general market commentary and do not constitute nor shall be interpreted as investment advice.

#### **29. Automated Trading (available only for MT4).**

29.1 Automated Trading is available via third parties on the MT4 Platform. You should not enter into Trades using Automated Trading unless you fully understand the risks involved. If you are in any doubt, you should seek independent professional advice.

29.2 We do not recommend or endorse any use of Automated Trading and you are responsible for all Trades you enter as the result of using Automated Trading. You are also responsible for ensuring that you have sufficient funds in your Account to satisfy any Trades automatically opened with Automated Trading.

29.3 Automated Trading is only available when you are logged into the MT4 Platform and connected to the internet. If you are not logged in to the MT4 Platform and connected to the internet, Automated Trading will not be triggered.

**30. Client Profitability Disclosure.**

30.1 We update our Client Profitability Disclosure on a quarterly basis. This document discloses, for each of the four most recent quarters, the percentage of Accounts that were profitable and unprofitable for clients of CMC Markets Canada who reside in Canada and trade our Products. It also discloses, for each of the four most recent quarters, the percentage of Accounts that were profitable and unprofitable for clients of CMC Markets Canada who reside in the province of Quebec and trade our Products. This document may be amended or replaced from time and time and is accessible on our Website at the following URL: <https://www.cmcmarkets.com/en-ca/legal-documents>.

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This Risk Disclosure Statement may also be amended or replaced from time to time and is accessible on our Website at the following URL: <https://www.cmcmarkets.com/en-ca/legal-documents>.

## APPENDIX A

### PRESCRIBED RISK INFORMATION FOR CLIENTS RESIDING IN CANADA

CMC Markets Canada is required under Applicable Law to provide you with the following CIRO *Derivatives Risk Disclosure Statement*.

#### DERIVATIVES RISK DISCLOSURE STATEMENT

This risk disclosure statement does not disclose all of the risks and other significant considerations associated with trading in derivatives. In light of the variety of risks involved, you should undertake such transactions only if you understand the nature of the contracts, the contractual relationships into which you are entering and the extent of your exposure to risk. Trading in derivatives is not suitable for everyone and often entails a high level of risk. Trading in derivatives should be made with caution and you should carefully consider whether such transactions are appropriate for you in light of your personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon, and other relevant circumstances. You should consult with your own business, legal, tax and account advisers before engaging into such transactions.

#### ***You may lose more than the amount of funds deposited***

A characteristic of many derivatives is that you are only required to deposit funds that correspond to a portion of your total potential obligations and yet your profits or losses are based on changes in the total value of the derivative. This inherent leverage characteristic means that losses incurred can greatly exceed the amount of funds deposited. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit. Your dealer may require you to deposit additional funds on short notice to maintain your position as the value of the derivative changes. If you fail to deposit these funds, your dealer may close out your position at a loss without warning and you will be liable for any resulting deficit in your account.

#### ***Using borrowed funds carries greater risk***

Using borrowed funds to finance a derivatives transaction involves greater risk than using cash resources only. If you borrow money, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the derivative declines.

#### ***Deposited cash and property***

You should familiarize yourself with the protections accorded to money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules.

#### ***Commission and other charges***

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

#### ***Fluctuations in price or value***

The price and value of derivatives can be adversely affected by volatile market conditions and such occurrences may significantly increase your risk exposure. There are a variety of market factors and conditions which can directly or indirectly affect derivatives such as market demand and supply, interest rate, foreign currency exchange rate, indices, commodity prices, equity prices, investor perception and other political or economic factors. Since derivatives are linked to one or multiple underlying interests, the price or value of the derivatives may also be subject to considerable fluctuations due to the risks associated with the underlying interest. The level of sensitivity of an underlying interest with specific market conditions can have wide implications on the value of derivatives linked to that underlying interest. For example, when two or more factors are affecting one or more underlying interests of a derivative, its value may become unpredictable. A small movement in the price of one underlying interest can cause a sudden and large fluctuation in a derivative's value.

#### ***Hedging and risk management strategies***

Hedging transactions may require constant monitoring. A failure to adjust your hedging transaction in light of changing market conditions may result in the position becoming either under-hedged or over-hedged and losses can ensue.

The placing of certain orders (e.g. "stop-loss" or "stop-limit" orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as "spread" and "straddle" positions may be as risky as taking simple "long" or "short" positions.



### **Listed derivatives**

Under certain market conditions, you may find it difficult or impossible to liquidate or offset an existing position on a marketplace (e.g. buy-to-close or sell-to-close order). This can occur, for example, when the market reaches a daily price fluctuation limit ("daily price limit" or "circuit breakers").

You should ask your dealer about the terms and conditions of the specific derivatives which you are trading and associated obligations. Under certain circumstances the specifications of outstanding contracts may be modified by the marketplace or clearing house to reflect changes in the underlying interest.

### **Over-the-counter derivatives**

Over-the-counter derivatives (OTC derivatives) trading is not done on a marketplace. Your dealer is your trading counterparty. When you sell, your dealer is the buyer and when you buy, your dealer is the seller. As a result, when you lose money trading, your dealer may be making money on such trades, in addition to any fees, commissions, or spreads it may charge.

An electronic trading platform for trading OTC derivatives such as contracts for difference and foreign exchange contracts is not a marketplace. It is an electronic connection for accessing your dealer. You are accessing that trading platform only to transact with your dealer. You are not trading with any other entities or clients of the dealer by accessing such platform. The availability and operation of any such platform, including the consequences of the unavailability of the trading platform for any reason, is governed only by the terms of your account agreement with the dealer.

You are limited to your dealer to offset or liquidate any trading positions since the transactions are not made on a marketplace. As such, it may be difficult or impossible to liquidate an existing position. The customized nature of certain OTC derivatives may also add to illiquidity.

The terms of OTC derivative contracts are generally not standardized, and the prices and characteristics are often individually negotiated with your dealer. A central source to obtain or compare prices may not exist. It may be difficult to assess the value, to determine a fair price or to assess the exposure to risk. You should ask your dealer about the terms and conditions of the OTC derivative contracts you are trading and understand the related rights and obligations.

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## **RISK DISCLOSURE STATEMENT FOR FUTURES**

Certain securities and derivatives legislation in Canada requires that CMC Markets Canada provide the following Risk Disclosure Statement for Futures to its clients residing in Canada.

This brief statement does not disclose all of the risks and other significant aspects of trading in futures and options. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. Trading in futures and options is not suitable for many members of the public. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

### **Futures**

#### **1. Effect of "Leverage" or "Gearing"**

Transactions in futures carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit: this may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited with the firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit.

#### **2. Risk-reducing Orders or Strategies**

The placing of certain orders (e.g. "stop-loss" order, where permitted under local law, or "stop-limit" orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as "spread" and "straddle" positions may be as risky as taking simple "long" or "short" positions.

## **Additional Risks Common to Futures**

### **4. Terms and Conditions of Contracts**

You should ask the firm with which you deal about the terms and conditions of the specific futures or options which you are trading and associated obligations (e.g., the circumstances under which you may become obligated to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

### **5. Suspension or Restriction of Trading and Pricing Relationships**

Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or "circuit breakers") may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the future, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge "fair" value.

### **6. Deposited Cash and Property**

You should familiarize yourself with the protections accorded money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be prorated in the same manner as cash for purposes of distribution in the event of a shortfall.

### **7. Commission and Other Charges**

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

### **8. Transactions in Other Jurisdictions**

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade you should enquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

### **9. Currency Risks**

The profit or loss in transactions in foreign currency-denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

### **10. Trading Facilities**

Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Such limits may vary; you should ask the firm with which you deal for details in this respect.

### **11. Electronic Trading**

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be

that your order is either not executed according to your instructions or is not executed at all. Your ability to recover certain losses which are particularly attributable to trading on a market using an electronic trading system may be limited to less than the amount of your total loss.

## **12. Off-exchange Transactions**

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks.

Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules.