

It is important that you read and understand this risk warning notice before accepting it. Except where expressed otherwise, certain terms used in this CFD Direct Risk Warning Notice have specific meanings as set out in Schedule 2 of the CFD Direct Terms of Business.

CMC Markets UK Plc (referred to below as “we”, “us” or “our”) is committed to treating you fairly. In this notice, we provide you with information to help you understand the nature and risks of trading with us. However, this notice does not explain all of the risks and other significant aspects involved in investing in our Trades. You should take sufficient time to read all the relevant information that we provide to you before entering into a Trade.

Trades can carry a high risk to your capital as Prices may move rapidly against you, particularly during volatile market conditions. When entering into Trades you can lose more than your investments and you may be required to make further payments. The higher the leverage 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.

#### **1. Appropriateness of Trades.**

- 1.1 In line with the FCA’s rules (COBS 10A.2.3 EU) we may assume that a Professional Client or Eligible Counterparty has the necessary experience and knowledge in order to understand the risks involved in relation to the investment services or transactions, or types of transaction or product for which it is classified as a Professional Client. However, you should always carefully consider whether to invest in Trades and acquaint yourself sufficiently with them to understand the risks involved. Any decision to invest is entirely at your own risk.

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

- 2.1 We do not provide investment, tax, legal, regulatory or financial advice relating to investments or possible Trades. Any information we provide to you, including any information provided by our client management team, is purely factual and is not tailored to your 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 a CFD Direct Account with us or entering into any Trades.

#### **3. Our Trades are OTC products.**

- 3.1 When you enter into any Trade with us, you will be entering into an off-exchange (known as an ‘over-the-counter’, or ‘OTC’) contract, which is non-transferable. This means you will enter into Trades directly with us, and also that those Trades can only be closed with us. This involves greater risk than investing in a transferable financial instrument traded on a regulated market or trading venue such as a share or dealing in an exchange-traded derivative, because your ability to open Trades and close Trades is solely dependent on the CFD Direct System 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 with us.
- 3.2 In addition, all of your Trades with us are settled in cash, and you do not have any rights to any underlying instrument (as applicable).
- 3.3 You can only profit from our Trades through changes in Prices, which match the prices offered to or obtained by us or our brokers from the relevant underlying execution venues.

#### **4. Market Data is displayed to you for indicative purposes only and may not match the Prices at which we enter into Trades with you.**

- 4.1 Market Data displayed on the Trading Platform is based upon the Market Data you subscribe for. Market Data is displayed to you for indicative purposes only and may not match the Prices at which we enter into Trades with you. Fluctuations in financial markets, the delayed and/or limited nature of the Market Data you subscribe for and/or technical conditions may mean there is a significant difference (especially in volatile market conditions) between the Market Data displayed to you and the Price at which you enter into a Trade with us. This difference may either be to your advantage or disadvantage.

#### **5. Losses may exceed deposits.**

- 5.1 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. You should not rely on Stop-Limit Orders (where available) as they are not guaranteed because they are subject to slippage.
- 5.2 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 ‘marginng’), 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 deposit (if any) that you hold with us when entering into a Trade.

5.3 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 CFD Direct Account and may initiate Account Close-Out, whether manually or through an automated process.

5.4 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.

## **6. Your Trades are at risk of being closed out in some circumstances.**

6.1 The closure of your Trades and/or Positions is intended to prevent you incurring further losses and we may close all Trades and/or Positions on your CFD Direct Account, not just Trades 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 GLV closely. To prevent Account Close-Out, you should keep an Amount in your CFD Direct Account that allows sufficient headroom to keep your Positions open in case of sudden changes to the required Initial Margin Amount resulting from Price movements. It is important to note that an Amount deposited into your CFD Direct Account (which appeared to be sufficient) can very quickly become insufficient, due to rapidly changing market conditions.

6.2 If an Account Close-Out is triggered outside of UK office hours, the relevant Account Close-Out procedure may be delayed. The balance on your CFD Direct Account may be significantly lower by the time we are able to contact you (e.g. due to market movements).

## **7. Market circumstances may impact your Trades.**

7.1 Market Data and our Prices, and the information provided in relation to them, are dependent on the availability of prices and liquidity from the execution venues we or our underlying brokers use. As a result, market circumstances may impact on your ability to place an Order and we may be unable to execute a Pending Order.

7.2 Financial markets may fluctuate rapidly and this will impact Prices. Any movements in Prices will have a direct and real time effect on your Trades and CFD Direct Account. 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 between two Prices, or for the CFD Direct System and/or our client management to execute a Pending Order 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.

7.3 There may be changes made by the brokers with which we hedge our price risk relating to Trades, including changes (that have or purport to have retrospective effect) to prices or cancellations of contracts we may have with them, which would each constitute a Circumstance Outside Our Control. We have certain rights and may take certain actions (including Reserved Actions) in respect of Circumstances Outside Our Control, including for example the right to cancel or reprice any Trade, where to do so would be fair and reasonable in the circumstances.

## **8. Technical risks and other circumstances may affect your Trades.**

8.1 There is a risk that other circumstances may prevent us from executing Orders, or prevent you from accessing the CFD Direct System and/or our client management team, such as system errors or outages. Such circumstances may pose a significant risk to the execution of your Orders.

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

9.1 Each of these Products poses specific risks which can differ widely, for instance with regard to the range and speed of fluctuations in Prices or with respect to liquidity. Therefore, you should ensure that you understand the specific risks of a Product before you open a Trade on that Product.

## **10. Profit and Loss displayed on the Trading Platform.**

10.1 There may at times be differences between information available through the Back Office Platform and information available through the Trading Platform. These differences may include differences in relation to your Available Equity or Cash as displayed on the Back Office Platform and Free Equity as displayed on the Trading Platform. These differences are due to the fact the Back Office Platform does not immediately deduct the applicable Initial Margin from your Available Equity or Cash until you enter into a Trade, whereas the Trading Platform deducts the applicable Initial Margin from Free Equity from the point you place a Pending Order (which may be earlier in time). In the event of a difference, the information available through the Back Office Platform shall be conclusive. However, when determining whether sufficient funds are available to allow you to enter Trades and when determining the balance for the liquidation of any of your Trades or Positions, the information available through the Trading Platform will prevail. At 17:00 EST every Business Day a reconciliation will take place to bring the Free Equity displayed on the Trading Platform in line with the Available Equity or Cash

displayed on the Back Office Platform. This may have an impact on your GLV and on any eventual profits that you make or losses that you incur.

10.2 Current, up-to-date Initial Margin requirements and Holding Costs will be displayed at all times on the Back Office Platform.

**11. You should not finance your Trades with us on credit.**

11.1 You should not rely on being able to redeem borrowed funds with any profits from Trades.

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

12.1 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.

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

13.1 Full details on how we will treat your money are provided in our CFD Direct Terms of Business and you should ensure that you have read the CFD Direct Terms of Business carefully before opening a CFD Direct Account with us or entering into any Trade.

**14. Tax treatment may vary.**

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

**15. Access to the client management team.**

15.1 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 other 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 Products.

**16. Algorithmic Execution.**

16.1 If we have made Algorithmic Execution available to you, you should not enter into Trades using Algorithmic Execution unless you fully understand the risks involved. If you are in any doubt you should seek independent professional advice.

16.2 **You are responsible for all Trades you enter as the result of using Algorithmic Execution.** Once you have initiated Algorithmic Execution, the Algorithm will continuously and independently place Orders based on parameters specified by you until those parameters are satisfied or you have successfully cancelled such Algorithmic Execution. You shall be responsible for and bound by any and all Trades arising or resulting from the relevant instance of Algorithmic Execution as a result.

16.3 **Underlying Algorithms used in Algorithmic Execution may vary.** When you use Algorithm Execution, Orders will be executed using an Algorithm of the relevant type selected on the Trading Platform, but the actual Algorithm used may be provided by any of our underlying brokers. As such, the underlying methodology may vary according to the actual Algorithm used and you may achieve a different result, depending on which Algorithm is chosen, regardless of the fact that one Algorithm shares the same execution objective as another Algorithm of the same type.

16.4 **Cancellations and amendments may not take effect immediately.** Cancellations and amendments to instances of Algorithmic Execution will only take effect once they have been received and processed by the Trading Platform. As a result, you may become responsible for and bound by Orders arising or resulting from an instance of Algorithmic Execution even after you have purported to cancel or amend it.