

It is important that you read and understand this risk warning notice before accepting it. Except where expressed otherwise, certain terms used in this risk warning notice have specific meanings as set out in Schedule 3 of the 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 your Trades and our services. 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.

Our Products can carry a high risk to your capital as Prices may move rapidly against you, particularly during volatile market conditions and can result in losses that exceed your initial deposit. Certain Products, such as Trades on cryptocurrencies, are more volatile than others and may be even more susceptible to sharp and sudden movements in Price. Where we have categorised you as a Retail Client you cannot lose more than your Invested Capital, to the extent it is required by Applicable Law. If we have categorised you as a Professional Client, you can lose more than your Invested Capital and you may be required to make further payments.

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. Trades may not be appropriate for you.**

- 1.1 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 Trades based on the information you provide us. We will inform you if, as a result of our assessment, we consider that Trades 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.
- 1.2 If you wish to enter into Orders, you should only invest once you have acquainted yourself sufficiently with Trades through the demo account available on our Website and understand the risks involved.

#### **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 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.

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

- 3.1 When you enter into any Trade with us, 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 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 open and/or Trades is solely dependent on the Trading 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 (see paragraphs 7, 9 and 13 below).
- 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 our Prices. These are 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.

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

- 4.1 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 or other Trading Venues.

#### **5. Your capital is at risk when you enter into Trades with us.**

- 5.1 When you enter into Trades with us, you risk losing your Invested Capital. If you are a Professional Client, you risk losing more than your Invested Capital and you may be required to make further payments. The more leverage you utilise in a Trade, the higher the risks involved. Although the MT4 Platform has features that are designed to help limit your risk of loss, none of these are guaranteed and you should not rely on them.
- 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 ‘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. If you are a Professional Client, the nature of leverage means that your losses may exceed the amount of any deposit 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 Account and may result in immediate Account Close-Out.
- 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. Only trade with money you can afford to lose.
- 5.5 If you are a Professional Client and we have agreed to waive or permit 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.

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

- 6.1 The automatic closure of your Trades and/or Positions by the Trading System is intended to prevent you incurring further losses and we may close all Trades and/or Positions on your Account, not just Trades that are making a loss. It is your responsibility to monitor your Positions and your Account Value closely. The Trading System will attempt to notify you when your Account Value reaches a specific level, although you should not rely on the Trading System 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 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.

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

- 7.1 The Trading System, 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 circumstances may impact on your ability to place an Order for a Trade 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 the MT4 Platform and/or through our client management team.
- 7.2 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 and 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 for a Trade between two Prices, or for the Trading System to execute a Pending Order for a Trade 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.

## **8. The Price of a Trade may be different from the Price you see on the MT4 Platform and/or the Price provided by our client management team when you place an Order.**

- 8.1 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 the MT4 Platform 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 the Trading System. If such changes occur, the Order is generally executed at the Price applicable when it is executed by the Trading System.
- 8.2 Such movements in the Prices may either be to your disadvantage or have a favourable impact. You can limit the effect of such movements by applying certain limits to your Order.

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

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

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

- 10.1 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, such as Trades on cryptocurrencies, 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 open a Trade on that Product.

## **11. Cryptocurrencies (once available).**

- 11.1 Cryptocurrencies, which are generally unregulated in themselves, are high-risk, speculative investments, which will impact any cryptocurrency Trades that you enter with us. However, CFDs (including Trades) linked to cryptocurrencies are regulated by the FCA in the UK.
- 11.2 The value of cryptocurrencies, and therefore the value of Trades linked to them, is extremely volatile. They are vulnerable to sharp changes in price due to unexpected events or changes in market sentiment. Trades are leveraged products. Therefore the combination of increased volatility and leverage has the potential to significantly increase your losses if the market moves against you, relative to Trades based on other Products.
- 11.3 You should only invest in cryptocurrency Trades if you consider that you have the knowledge and experience of, and fully understand the risks associated with, both CFDs and cryptocurrencies.

## **12. Automated Trading.**

- 12.1 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.
- 12.2 CMC Markets does 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.
- 12.3 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.

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

- 13.1 Foreign markets will involve different risks, which 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.
- 13.2 In particular, where the relevant Product Currency is different to the relevant Account Currency, any Margin requirement, holding costs, realised and unrealised losses or profits will be converted to the Account Currency at the Currency Conversion Rate. Depending on the Currency Conversion Rate and currency fluctuations, this may have an impact on your Account Value and on any eventual profits that you make or losses that you incur.

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

- 14.1 You must not rely on being able to redeem borrowed funds with any profits from Trades with us.

## **15. Past performance is not indicative of future performance.**

- 15.1 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.

## **16. We cannot guarantee protection of your money.**

- 16.1 If you are categorised as a Retail Client, money that we hold on your behalf will be held in a segregated client money bank account separate from our own money, although this may not provide complete protection (for example, if the bank that we use becomes insolvent).
- 16.2 Full details on how we will treat your money are provided in our Terms of Business and you should ensure that you have read the Terms of Business carefully before opening an Account with us or entering into any Trade.

## **17. Tax treatment may vary.**

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