

CMC SPREADBET PLC

Sales Trader Risk Warning Notice for Financial Betting

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Registered in England. Company No. 02589529

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CMC Spreadbet Plc – Sales Trader Risk Warning Notice for Financial Betting

(March 2016)

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It is important that you read and understand this risk warning notice before accepting it.

CMC Spreadbet 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 our financial betting products, Digital 100s, countdowns and our services. However, this notice does not and cannot explain all of the risks and other significant aspects involved in investing in bets, Digital 100s and/or countdowns and our service. You should take sufficient time to read all the relevant information that we provide to you, including this risk warning notice, our Financial Betting Sales Trader Terms of Business, our Sales Trader Order Execution Policy Summary for Financial Betting, and the information on our website and platform and the information available from our client management team.

Our products can carry a high risk to your capital as prices may move rapidly against you. When entering into bets you can lose more than any initial deposit and you may be required to make further payments. Please note that the higher the leverage (where applicable), the higher the risks involved. By comparison, your potential losses from Digital 100s and countdowns are limited to the amount of your Digital 100 amount or stake (as applicable).

You should not enter into bets, Digital 100s and/or countdowns with us unless you fully understand the risks involved. If you are in any doubt you should seek independent professional advice.

1. Margin bets, Digital 100s and/or countdowns may not be appropriate for you.

1.1 When we process your application to open an account with us we will conduct our own assessment of whether you have sufficient knowledge and experience to understand the risks involved in investing in bets, Digital 100s and/or countdowns based on the information you provide us, and we will inform you if as a result of our assessment we consider that our bets, Digital 100s and/or countdowns may not be appropriate for you. However, our assessment does not relieve you of the need to carefully consider whether to enter into a bet, Digital 100 and/or countdown using our products.

1.2 If we warn you that bets, Digital 100s and/or countdowns may not be appropriate for you on the basis of your knowledge and experience, then you should refrain from entering into bets, Digital 100s and/or countdowns. If you nonetheless wish to enter into bets, Digital 100s and/or countdowns, you should only do so using the live account and/or through our client management team once you have acquainted yourself sufficiently with investing in bets, Digital 100s and/or countdowns through the demo account and fully understand the risks involved. If we tell you that we have insufficient information to perform our assessment, then you should consider carefully whether you still wish to proceed with your application and start investing with us.

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

2.1 We do not provide investment, betting, tax, legal, regulatory or financial advice relating to investments or possible bets, Digital 100s and/or countdowns. 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 (for example, information about betting processes or minimising potential risks). 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 betting with us.

3. Bets, Digital 100s and/or countdowns are OTC derivatives.

3.1 When you enter into a bet, Digital 100 and/or countdown with us through our platform and/or through our client management team, you will be entering into an off-exchange (sometimes known as an 'over-the-counter', or 'OTC') derivative which is non-transferable. This means you will enter into bets, Digital 100s and/or countdowns directly with us, and also that those bets and/or Digital 100s can only be closed with us (your countdowns will be automatically closed and settled by our platform on expiry and cannot be closed by you). This involves greater risk than investing in a financial instrument such as a share which is transferable, or dealing in an exchange-traded derivative, because your ability to open bets, Digital 100s and/or countdowns and/or close bets and/or Digital 100s is solely dependent on our platform and/or our client management team being in a position to accept orders from you and to execute them. Therefore, you can only open and close bets and/or Digital 100s on our products with us, and not anybody else; and likewise you can open countdowns only with us. In certain circumstances it may not be possible to open or close bets, Digital 100s and/or countdowns with us (see paragraphs 9, 11, 13, 19 and 20 below).

3.2 In addition, all bets, Digital 100s and/or countdowns that you make 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).

3.3 You can only profit from our bets through changes in our prices and from our countdowns where changes in our settlement prices mean your prediction is correct, which is different from other assets, such as shares or currencies, where you can profit from real market fluctuations and where you may be entitled to dividends or interest. You can profit from our Digital 100s either directly through changes in our prices or where your prediction is correct.

4. We act as a market-maker.

4.1 The prices generated by our platform or, for bets, provided by our client management team will take into account current exchange and market data from various sources. This means that our price may be different to any current exchange or market price, or another betting provider's price, for the relevant underlying instrument. The profits or losses that you make from bets, Digital 100s and/or countdowns made with us will be in relation to our prices and/or settlement prices solely, and not to prices prevailing or shown anywhere else.

5. You may lose more than any deposit when you enter into bets with us.

5.1 When you enter into a bet 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. This is different to trading other types of financial instruments, for example shares, where generally you only stand to lose the amount you pay for the asset that you buy. **Although our platform and our sales trader service have features that are designed to help minimise your risk of loss, none of these other than the shield mode and guaranteed stop loss orders are guaranteed and you should not rely on them.**

5.2 Losses from your bets (does not apply to Digital 100s and/or countdowns):

5.2.1 The amount of any loss for an individual bet will be the amount that you owe us when that bet is closed. This will reflect the full value of your position. Even over a short space of time this amount may exceed the amount of any deposit (if any) held with us when entering into the bet. It is a feature of 'leveraged' (also known as 'geared' or 'margined') instruments that you can lose more than any initial payment. Leverage means that you can proportionally over participate in market fluctuations (both as profits made or losses incurred). The impact of any price movement on your

account will depend on the size of your stake, rather than the amount of margin, so a small movement in price may have a large impact on your account if you have bet a large stake. In particular, when entering into sell bets it is possible to lose significant amounts since any increase in price (which is potentially unlimited) will result in a loss to you.

- 5.2.2 Please note that the unrealised profit or loss displayed on our platform, at any time, may not accurately reflect the realised profit or realised loss that would be gained or incurred if you closed one or all of your open bet(s) immediately, particularly where a bet may be closed at a price that differs from the level 1 price. The unrealised profit or loss displayed on our platform is calculated using the current level 1 price.

5.3 Costs incurred through betting:

- 5.3.1 There are costs associated with betting with us. Some costs, such as spread (which is the difference between the buy price and the sell price of a particular product at any given time) will arise on all bets and/or Digital 100s, while others will depend on the type of bet and/or the risk management measures you put in place on your bets (for example, guaranteed stop loss orders carry an additional premium).

- 5.3.2 Depending on the bets you make, and how long they last, we may require you to pay holding costs. The aggregate of these holding costs may exceed the amount of any profits or increase your loss. Please refer to our Financial Betting Terms of Business for further information on how holding costs are calculated.

- 5.4 If we allow a negative independent margin on your account, this is not a credit facility or a loan. It does not restrict your losses or financial liability and you are still liable to pay all losses to us which are due and payable. We may amend or remove any negative independent margin at any time in accordance with our Financial Betting Sales Trader Terms of Business.

6. You may lose your Digital 100 amount on any binary.

- 6.1 The Digital 100 amount, being the size of your Digital 100 multiplied by the relevant price, is deducted from the cash in your account at the time the Digital 100 is opened and you lose the entire Digital 100 amount if your prediction is incorrect.

7. You may lose your stake on any countdown.

- 7.1 The amount that you wish to be the subject of a countdown, the stake, is deducted from the cash in your account at the time the countdown is opened and you lose the entire stake if your prediction is incorrect.

8. Your bets, Digital 100s or countdowns are at risk of being closed automatically.

- 8.1 At all times, your account revaluation amount must stay above the close-out level(s) specified on our platform, otherwise the whole or a portion of your bets and/or bet positions may be closed by our platform or our client management team. However, **we do not guarantee such closure and you must not rely on it.** It is your responsibility to monitor your bet positions closely and you will be able to monitor your account revaluation amount through our platform and/or by contacting our client management team. Closely monitoring your positions is very important because you might have to make immediate additional payments to avoid a close-out by our platform and/or our client management team. Our platform and/or our client management team will attempt to notify you when your account revaluation amount falls to the percentage level or absolute amount specified on our

platform, although you should not rely on our platform and/or our client management team giving you this warning. In particular, manual account close-outs and margin calls are provided by the UK client management team. For this reason, when a manual account close-out is triggered outside of UK office hours the associated margin call and/or manual close-out may not be made for several hours. In addition, where a manual account close-out is triggered during busy times the margin call and/or associate manual close-out 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 and/or the spread and commission you pay to close positions.

- 8.2 To prevent closure of the whole or a portion of your bets and/or bet positions, you should deposit a sufficient amount of money into your account to cover any potential losses or costs from your bets. It is important to note that even an amount that you previously deposited and which appeared to be more than sufficient at the time, can very quickly become insufficient due to rapidly changing market conditions.
- 8.3 Please remember, if you have a negative absolute close-out amount, your account will be liquidated in its entirety once an account close-out has been triggered.
- 8.4 The automatic closure of your bets and/or bet positions is aimed to prevent you incurring further losses and may close all bets and/or bet positions on your account, not just those that are making a loss. This means that your losses (and any profits) will be realised, even if the price movements against you are only temporary. Digital 100s and countdowns will not be closed as part of this process.
- 8.5 Once a countdown has been entered into, it cannot be closed by you. All countdowns will be closed and settled by our platform automatically on expiration of the countdown.
- 8.6 In addition, if you do not close your Digital 100s before the start of the pre-close period at the end of the applicable Digital 100 expiry, the Digital 100s will be closed by our platform automatically once the end of the applicable Digital 100 expiry is reached.

9. Market circumstances may impact your bets, Digital 100s and/or countdowns.

- 9.1 The ability of our platform to generate, and our client management team to provide, prices and execute orders 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. In addition, because we maintain our own financial stability by hedging with other counterparties, we may be unable to execute your orders for bets where we cannot enter into a corresponding transaction to hedge our own risk (for example, due to the activities of an issuer of shares to which your bets relate, which can sometimes restrict the market liquidity in those shares). Therefore, market circumstances may impact on your ability to place an order for a bet or close a bet with us. In contrast, if we enter into a corresponding transaction, to hedge our risk, this may have an influence on the underlying market conditions and consequently also on the prices we quote on our platform and/or through our client management team and your account.
- 9.2 Market circumstances may similarly impact on your ability to place an order for a Digital 100 or countdown or close a Digital 100 with us. Market circumstances may also impact our ability to settle a Digital 100 or countdown on expiry. If an event occurs that prevents our platform from determining a price for a Digital 100 or the price applicable for a countdown, your Digital 100 or countdown could be cancelled or declared void.

- 9.3 Financial markets may fluctuate rapidly and the prices of our products are no exception. Any movements in our prices will have a direct and real time effect on your bets, Digital 100s and/or countdowns and account.
- 9.4 One form of price volatility that can happen regularly is called 'gapping'. This occurs where there is a sudden shift in price from one level to another. This can be caused, for example, by unexpected economic events or market announcements, particularly where these occur outside trading hours. There may not always be an opportunity for you to place an order between the two price levels, or for our platform and/or our client management team to execute a pending order at a price between those two levels. Gapping can result in you incurring significant losses (or profits) on an affected bet. Certain markets also have limited trading hours which can impose a significant risk to your ability to place orders and close bets and/or Digital 100s.
- 10. The price of a bet or Digital 100 may be different from the price you see on our platform and/or quoted by our client management team when you place an order.**
- 10.1 There is a risk that the price which you see through your device and/or which is quoted by our client management team when you place an order will not be identical to the price at which the bet, Digital 100 and/or countdown is executed, and that the corresponding difference puts you at a disadvantage. We attempt to generate prices and settlement prices on a continuous basis and to have the currently applicable prices and settlement prices shown on our platform and made available to our client management team as quickly as possible. However, technical conditions (e.g. the transfer rate of data networks or the quality of your internet connection, as well as rapid market fluctuations) may lead to a change in the applicable price and/or settlement price between the time the order is placed by you (either directly through the platform or by our client management team acting on your behalf) and the time the relevant order is received by us or the order is executed by our platform. Such changes to the applicable price are due to fluctuations in the financial markets rather than on arbitrary interventions made by us. If such changes occur, the order is generally executed at the price applicable when the order is executed by our platform. 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 placing a limit order.
- 10.2 For products in respect of which we will only accept orders or allow you to enter into bets through our client management team, the order will be deemed to be received when the relevant member of the client management team actually receives it.
- 11. Technical risks and other circumstances may affect your bets, Digital 100s and/or countdowns.**
- 11.1 There is a risk that other circumstances may prevent us from executing orders, or prevent you from accessing our platform and/or our client management team. These include, for example, system errors and outages, maintenance periods, internet connectivity issues or failures of third parties on whom you or we are dependent (for example, internet service providers or electricity companies) and, in relation to our client management team, periods of high demand. We have business continuity measures in place to deal with some of these issues, but in some circumstances you may not be able to access our platform and/or our client management team. These technical risks and other circumstances can pose a significant risk to the execution of your orders.

12. Different products pose different risks.

- 12.1 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 price fluctuations or with respect to liquidity. Therefore, you should ensure that you understand the specific risks of a product before you open a bet, Digital 100 and/or countdown on that product.
- 12.2 Where a product is based on multiple underlying instruments (a 'basket' product), this will have an impact on the risk of the product. The risk involved in a basket product will depend on the risks involved in its constituents. If the basket constituents share similarities (for example they all relate to the same sector or country) then this can make the product riskier. Also, if riskier constituents are given a higher weighting within the product, this will make the product riskier. If you choose to use a basket product then you should make sure that you understand the risks involved in all the different constituents, the risks involved in the overall combination of constituents that make up the product and the risks involved in how the constituents are given their respective weightings.

13. Foreign markets add further risks.

- 13.1 Foreign markets will involve different risks from UK markets. In some cases those risks will be greater, for example where those foreign markets are less well supervised, have greater or more rapid market fluctuations or when those markets are less liquid. This can impair our ability to generate and/or provide prices. The potential for profit or loss from bets relating to foreign markets will also be affected by fluctuations in foreign exchange rates.

14. You should not finance your bets, Digital 100s and/or countdowns with us on credit.

- 14.1 If you fund your bets, Digital 100s and/or countdowns with us using credit (e.g. a bank loan or credit card), your risk will be significantly increased and if you make a loss using that money, you will still have to repay your borrowing including interest. Therefore, you must not rely on being able to redeem borrowed funds with any profits from bets, Digital 100s and/or countdowns with us.

15. Past performance does not constitute a reliable indicator of future performance.

- 15.1 You should bear in mind that any past performance, simulation or prediction does not constitute a reliable indicator of future performance. Therefore, you cannot and must not rely on any past performance, simulation or prediction to indicate future performance.

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 Money that may be owed by you to us under our Financial Betting Sales Trader Terms of Business and agreement therein (for example, net unrealised losses and holding costs) will be transferred from the segregated client money bank account to our own account and will then be treated as our own money (which is not subject to the FCA's rules on client money).
- 16.3 If you are categorised as a professional client, we will also treat any amounts required to cover your potential liabilities to us (including margin) as our own money, and not as client money. We are permitted to use this money in the course of our own business and in the

event of our insolvency you will rank as a general creditor if any of this money is due back to you.

16.4 You have the right to request a different client categorisation at any time.

17. Countdowns are not currently subject to regulation by the FCA.

17.1 CMC Spreadbet Plc is licensed and regulated by the Gambling Commission and not the FCA in respect of countdowns. Accordingly, in respect of countdowns, you will not be entitled to the protections applicable for bets and Digital 100s, except for the segregation of any funds held in credit by you.

18. Tax treatment may vary.

18.1 The tax treatment of your financial betting activities depends on your individual circumstances, and may be subject to change in future.

19. Access to our platform via mobile applications.

19.1 The functions that enable you to access our platform via mobile applications (so-called "apps") are not identical to the functions available to you when accessing our platform 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 and to limit the related risks.

20. Access to the client management team.

20.1 Margin bets, Digital 100s and/or countdowns on certain products (referred to in our Financial Betting Sales Trader Terms of Business and our Sales Trader Order Execution Policy Summary for Financial Betting as "manual products") can only be opened and closed through a member of our client management team. We will do our best to make the client management team available when required by you, but during periods of high demand and due to other circumstances outside our control (see paragraph 11 above) we cannot promise that you will always be able to access a member of the client management team immediately. This may prevent you from taking quick actions and increases the risk associated with those products.

21. Limitations of features and third party content.

21.1 The accuracy, completeness and availability of any features or third party content (including market data) available on our website, on our platform and in emails cannot be guaranteed, and they are provided on an "as is" and "if available" basis.