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Forex and CFD Risk Disclosure Statement

1. INTRODUCTION

1.1 This Forex and CFD Risk Disclosure Statement (the "**Disclosure Statement**") provides a description of certain risks associated with transactions on foreign exchange instruments and contracts for difference. **It does not disclose or explain all of the risks associated with transactions on foreign exchange instruments and contracts for difference. This Disclosure Statement is not a substitute for the advice of a financial expert.**

1.2 This Disclosure Statement forms an integral part of the Special Terms and Conditions for Forex and CFD and, thus, of the Agreement. Except if otherwise stated herein, the definitions set out in the General Terms and Conditions and the Special Terms and Conditions shall apply for the purposes of this Disclosure Statement.

1.3 This Disclosure Statement must be read in conjunction with the General Terms and Conditions and the Special Terms and Conditions, the Bank's website, the Trading Rules and the various prospectuses, fact sheets and other information sheets available on the Bank's website or on any Platform, which describe in more detail the risks to which the Client may be exposed.

2. THE CLIENT IS EXPOSED TO EXTREMELY HIGH RISKS

2.1 **Transactions on foreign exchange instruments and contracts for difference are highly speculative, involve an extreme degree of risk and are generally suitable only for persons who can assume and sustain a risk of loss significantly in excess of the amount invested.** In our experience, between 70 and 80% of retail clients (being clients that are neither professional nor institutional clients) experience losses when trading foreign exchange instruments and contracts for difference. Further, a number of transactions on foreign exchange instruments and contracts for difference may, by their nature, generate losses that are in theory unlimited. In the absence of prior intervention, the losses could greatly exceed all the Client's assets deposited with the Bank.

2.2 **The Instruments have various underlying assets,** such as currencies, commodities, precious metals (or "bullions"), equity securities, other securities, as well as indexes. When trading Instruments, **the Client is exposed to** general risks outlined in this Disclosure Statement, but also to **specific risks that relate to the underlying assets of the Instruments.** Before trading Instruments, the Client must therefore ensure that he is familiar with those underlying assets and understands the risks associated with them. The Client should also refer to the "Risks involved in trading financial instruments" brochure, which is available on the Bank's website and discusses risks associated with equity securities, precious metals and commodities, among others.

2.3 **The foreign exchange market, the bullion market and the markets for the other underlying assets of the Instruments are extremely volatile. The movements of these markets are unforeseeable. The foreign exchange market, the bullion market and the markets for the other underlying assets of the Instruments may also experience periods of decreased liquidity or even periods of illiquidity.** This liquidity risk may affect all the participants in the market or the Bank specifically, in particular if there are changes in the liquidity provided by the Bank's counterparties. A lower liquidity may result in very rapid and hectic price movements, in wider spreads and/or in higher rejection rates. In such circumstances, risk mitigation measures may be ineffective.

3. THE LEVERAGE EFFECT GREATLY AMPLIFIES LOSSES

3.1 The Bank may allow the Client to trade on margin. In such a case, the Client may enter into trades for amounts that are (sometimes significantly) higher than the amounts committed by the Client for the relevant trade (*i.e.* higher than the margin). When trading on margin, the Client uses leverage effect. **The leverage effect makes transactions highly speculative, as a small movement in prices can generate a considerable loss** (or gain).

3.2 As an example, if the Client is allowed to open a EUR/USD position of 100,000 with a leverage effect of 10x, which means that to open this position, the Client is allowed to maintain a margin of only EUR 10,000. If the EUR falls in value by 1% against the USD, the Client's losses will reach EUR 1,000, *i.e.* 10% of the Client's invested amount. In other words, the greater the leverage effect, the greater the risk of loss (or chance of gain). The Client should use the leverage effect that is suitable to him. The Bank does not examine whether the leverage effect used by the Client is suitable or recommended in view of the Client's situation.

3.3 **The use of leverage can cause or amplify the risk that the Client will suffer losses that significantly exceed the value of the assets deposited by the Client with the Bank.** Indeed, the higher the leverage, the more likely it becomes that **a small change in the price of the relevant assets (which may occur swiftly) will result in the Client's losses exceeding the margin deposited.** If the Client does not maintain sufficient other assets on his Account in such a case, **the Client will be liable towards the Bank for any amount not covered by assets held on the Account.** The Client is made aware that such situations may also occur if the Client does not use leverage but maintains positions that entail a short exposure to an asset, as the price of such asset may theoretically increase indefinitely, resulting in losses for the Client that are not limited to the invested amount.

4. POSITIONS MAY BE LIQUIDITED IF MARGIN IS INSUFFICIENT

4.1 As set forth in the Special Terms and Conditions, the Bank has set up an automated system to liquidate positions upon certain thresholds or triggers being reached (*i.e.* the Automatic Liquidation System). The Automatic Liquidation System is active unless otherwise agreed upon between the Bank and the Client. **There is no guarantee whatsoever that the Automatic Liquidation System will be effective.** Further, the Automatic Liquidation System is operated for the sole benefit of the Bank and is not intended to prevent losses for the Client. Accordingly, **the Client cannot rely on the Automatic Liquidation System as a tool to effectively manage risks.**

4.2 To prevent the liquidation of his positions, the Client must at all times satisfy the margin requirements set by the Bank (*i.e.* the Client must maintain the Required Margin). In this respect, the Client should take into account that the Bank:

a) is **under no obligation to make any "margin call"**, meaning that the Client may not be informed if the margin deposited is insufficient or likely to become insufficient in the near future; and

b) may **at any time amend the Required Margin and other parameters that impact margin requirements,** such as the maximum net open position limit, the maximum leverage effect applicable to the Account and the Liquidation Trigger. The Client acknowledges **that any amendment to the Required Margin or to other relevant margin parameters may (in and of itself) result in the Liquidation Trigger being reached and the Client's positions being liquidated.**

As a result, the Client should consider holding, on his Account, amounts well in excess of the Required Margin. Further, **the Client should constantly monitor his positions, as well as the Bank's margin, maximum leverage and other relevant requirements.**

4.3 **Even if the Client takes precautions** that appear reasonably suited to avoid the Automatic Liquidation System being triggered, **there may still be circumstances in which the Client's positions will be liquidated.** This could happen, for example, due to significant fluctuations in prices that occur so rapidly that the Client is unable to provide additional margin in time to prevent the liquidation of the relevant positions.

4.4 When the Automatic Liquidation System is triggered, it sends requests to the Bank to enter into one or several transactions for the purposes of liquidating the relevant position(s). The Bank then generally seeks to execute these transactions as soon as possible. There is however no assurance that the relevant position(s) will be liquidated immediately, or at the pricing and liquidity conditions prevailing when the Liquidation Trigger was reached, as market conditions may change rapidly and significantly before the Transactions are executed. **Even if the Automatic Liquidation System is activated, there is therefore no assurance the Client's losses will not be higher than the margin provided.**

5. THE BANK AS COUNTERPARTY / NO BEST EXECUTION DUTY

5.1 **The Client's sole counterparty for any and all Transactions is the Bank.** As a counterparty to the Bank in Transactions, the Client is exposed to the Bank's credit risk. In the event of an insolvency of the Bank, the Client's positions may be liquidated without prior notice and against the Client's wishes.

5.2 No position may be opened or closed without the Bank agreeing to enter into the relevant Transaction. **The Bank does not have any obligation to enter into Transactions.** In addition, the Trading Rules and, more generally, the terms pursuant to which the Bank agrees to enter into Transactions, may give the Bank extensive powers to initiate or terminate Transactions without consulting the Client. Further, the Bank may also suspend the operations of any Platform, or stop processing Orders sent through such Platform.

5.3 The Client acknowledges and accepts that, when entering into Transactions, the Bank is acting in its own interest and has no duty to protect the Client from losses. In particular, the Bank may continue to enter into Transactions with the Client if the Client suffers losses or if the value of the Client's assets decrease, even if it may be preferable for the Client to stop entering into such Transactions.

5.4 Further, **the Bank is not bound by any duty of "best execution" or similar requirement, and is accordingly not required to seek the best possible outcome when carrying out orders submitted by the Client. The Transactions are not conducted via an exchange, multilateral trading facility or any similar organisation.**

6. AVAILABLE TOOLS TO MITIGATE RISKS MAY BE INEFFECTIVE

6.1 To mitigate risks relating to Transactions, the Client may consider using various tools made available through the Platforms, including using different order types that trigger certain actions upon pre-defined conditions being fulfilled (e.g. prices falling below a certain level). Using these types of orders is however not a guarantee that Transactions will be entered into at the prices defined by the Client when placing the order, or that such Transactions will be entered into at all.

6.2 Depending on the circumstances, such as the liquidity available to the Bank, the Bank will not be able to execute the relevant orders at the price the Client saw or considered when placing the order. In such a case, the Client is exposed to slippage, *i.e.* the risk that a Transaction will be entered into at a price that differs from the price that the Client saw or considered when placing the order. The Client remains responsible for any Transaction executed at prices that differ from his orders.

6.3 Various events may arise over the weekend and, more generally, outside of Business Days. The effect of these events will generally be felt strongly when market participants return on the Business Day that follows the events. Since the Bank does not process orders outside of Business Days (and may cancel Orders submitted outside of Business Days), the Client will be unable to react to these events as they unfold. The Client will, in such situations, be exposed to **gapping** risk, *i.e.* the risk that – when trading resumes after an interruption – prices differ significantly from those prevailing immediately before the interruption. Gapping may cause considerable losses for the Client, for example by triggering the liquidation of the Client's positions.

7. SPECIAL RISKS RELATING TO FX OPTIONS

7.1 FX Options are subject to the special risks described in this Section 7, in addition to other risks relating to Instruments described elsewhere in this Disclosure Statement.

7.2 FX Options are non-standardized products created in accordance with specifications defined by the Client. F**X Options are illiquid instruments,** there is no market for the FX Options and the Client cannot sell, assign or otherwise transfer an FX Option to a third party. The Bank does not undertake to make a market for FX Options held by the Client.

7.3 The Bank is the Client's counterparty when entering into transactions on FX Options. The Bank is under no obligation to offer prices for FX Options. This means that, when the Client acquires (or sells) an FX Option, the Client can only sell this FX Option to the Bank (or buy it back from the Bank). **In the event that the Bank does not offer prices for FX Options, the Client will be unable to benefit from price movements occurring prior to the Maturity Date,** as the Client will not be able to exit his position. Currently the Bank does not allow the Client to use order types designated to mitigate risks (e.g. stop orders) when trading FX Options. Although the Bank may allow the Client to use these types of orders in the future for FX Options too, the execution of such orders is conditional upon the Bank accepting to enter into the relevant Transaction with the Client. The Client should take these factors, as well as all other characteristics of FX Options, into account when designing and executing trading strategies involving FX Options.

7.4 FX Options are complex instruments and their pricing is based on a methodology set by the Bank in its sole discretion. The price of FX Options, as determined by the Bank, may depend on multiple factors, including the volatility of the FX Options' underlying assets. The Client acknowledges that the Bank sets the price of FX Options in its sole discretion, and that the Bank may use different exchange rates for FX Options as opposed to other Instruments.

7.5 FX Options are options on extremely volatile underlying assets and entail significant risks. **The Client may lose more than his initial deposit, e.g. if the Client is allowed to trade on margin or if the Client is selling a Call FX Option.** If the Client is the Seller of an FX Option referred to as a Call in the Offer, the Client's losses are not limited, *i.e.* the payment the Client may be required to make if the Bank decides to exercise the FX Option has no upward limit. Even if the Client's losses are limited (e.g. to the amount of the Premium), they may still exceed the amount of the Client's initial deposit if the Client is trading on margin. If the Client sells an FX Option to the Bank, **the Bank is free to exercise such FX Option in accordance**

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with the FX Option's terms, even if it means that the Client will be required to make a payment potentially in excess of the amounts the Client has deposited with the Bank.

8. OTHER RISKS

8.1 The risks associated with Transactions are even higher if the said Transactions are made on currencies or other underlying assets directly or indirectly connected with emerging markets. Indeed, many emerging markets lack a strong infrastructure. Telecommunications are generally poor, and banks and other financial systems are not always well developed, well regulated and well integrated. These countries may also have considerable external debt which could affect the proper functioning of their economies with a corresponding adverse impact on the performance of their markets. Tax regimes may be subject to the risk of a sudden imposition of arbitrary or onerous taxes, which could adversely affect investors.

8.2 **When holding Instruments, the Client's situation may be materially different from the situation of holders of the Underlying Assets.** In particular, the Client may be unable to benefit from Corporate Actions as a holder of the Underlying Asset would have. In this respect, the Client acknowledges that, in accordance with the Special Terms and Conditions, the Bank has significant discretion in determining if and how to reflect Corporate Actions on any Open Position of the Client and that the Bank has no obligation to inform the Client of any Corporate Action or any action taken by the Bank in relation to a Corporate Action. The Client further acknowledges that certain decisions of the Bank in relation to Corporate Actions may have significant consequences for the Client. In particular, if new Transactions are initiated, they may impact applicable Margin requirements. The Client is solely responsible for obtaining information on Corporate Actions, monitoring his Account and ensuring that he is in a position to bear the possible consequences of any Corporate Action. Should the Client have any doubt as to his capacity to maintain Open Positions in light of a possible Corporate Action, the Client must take appropriate measures to reduce or close the relevant Open Positions, or take any such other action as may be appropriate.

8.3 The Client is solely responsible for assessing the tax consequences of Corporate Actions. Where a Cash Distribution is made in respect of any Instrument held by the Client, the amount received by the Client may reflect the net amount of the relevant distribution on the Underlying Asset, after deduction of any applicable withholding or similar tax. The Bank makes no representation as to whether the Client will be in a position to obtain a tax refund or similar relief in respect of any Cash Distribution. The Client acknowledges and accepts that, when holding an Instrument instead of its Underlying Asset, the Client may be prevented from claiming any tax refund on Cash Distributions or benefit from any other arrangement that may benefit the holders of the Underlying Asset.

8.4 Transactions bear risks inherent to Internet and technology, as described in the General Terms and Conditions. Such risks include risks associated with latency, which the Client shall reduce by ensuring that his IT and mobile devices used for carrying out Transactions benefit from the fastest possible internet connectivity.

9. CLIENT'S SITUATION

9.1 In the light of the risks described in this Disclosure Statement, **the Client should carry out Transactions only if he understands the nature of such Transactions and the extent of his exposure to such risks, and if such Transactions are suitable for him. Trading foreign exchange instruments and contracts for difference is not suitable for many members of the public.**

9.2 The Client undertakes to analyse his personal (in particular financial and tax) situation carefully before trading in Instruments. The Client confirms that he has the necessary financial resources for all the Transactions that he carries out or Orders to be carried out. **The Client should only invest assets if he can afford to lose them without having to change his standard of living.** Further, the Client will only enter into Transactions where potential losses exceed the amounts invested if the Client can sustain losses far in excess of the amounts invested. **The Client will stop trading foreign exchange instruments and contracts for difference if his personal situation no longer permits it. Any amount invested in foreign exchange instruments or contracts for difference should be considered as "risk capital", *i.e.* money that the Client can afford to lose. Foreign exchange instruments and contracts for difference present extremely high risk and are not suitable for retirement funds or to generate safe returns.**

9.3 **The Client is solely responsible for deciding whether the Transactions that he carries out are suitable in view of his personal (in particular financial and tax) situation, his investment objectives and other relevant circumstances.** In case of doubt, the Client should seek independent financial advice.

10. CLIENT'S CONFIRMATIONS

10.1 As of the date of the opening of the Account, the date of any Transaction in relation to the Account and any date on which the Agreement or any part thereof is revised, updated or amended, **the Client confirms to the Bank and agrees to the following for the benefit of the Bank that:**

a) **The Client acknowledges and understands that trading in foreign exchange instruments and contracts for difference is highly speculative, involves an extreme degree of risk and is generally suitable only for persons who can assume and sustain a risk of loss far in excess of the amount they have invested.**

b) **The Client acknowledges and understands all the risks associated with Transactions,** in particular the risk resulting from the use of a significant leverage effect, the volatility of the markets, the liquidity risk, the legal risks resulting, in particular, from the market rules applicable to Transactions, the technology risks and any other risks that may lead to a loss or any other Damage. **The Client confirms that he is willing to assume these risks.**

c) The Client acknowledges that he has read and understood the General Terms and Conditions and the Special Terms and Conditions, as well as the information contained in the documents to which these Special Terms and Conditions refer, and in particular the Bank's website, the Trading Rules and the various prospectuses, fact sheets and other information sheets available on the Bank's website or on any Platform.

d) The Client in particular confirms **that he has understood the explanations about any restrictions to use the Platforms, the leverage effect and the modification of the maximum leverage effect, the Required Margin and the Automatic Liquidation System,** as set forth in the Special Terms and Conditions and other documents to which the Special Terms and Conditions refer. The Client also confirms **that he has understood and accepts the role of the Bank in the Transactions and the risks and conflicts of interest related thereto.**

e) The Client acknowledges and accepts that the Bank is entitled to liquidate his positions that are not adequately margined and the Client will be liable for all losses as a result of such liquidation. The Client acknowledges that the Bank reserves the right to change the Liquidation Trigger at its sole discretion.

f) The Client confirms that **neither the Bank nor its directors, managers, officers, employees, agents and other representatives guaranteed or guarantee to the Client that Transactions will generate profits for the Client. Moreover, past yields and profits are no indication of future**

performance.

g) The Client acknowledges and understands that the **Client may in certain cases experience losses in excess of the value of the Client's assets deposited with the Bank, in which case the Client will be liable towards the Bank for the uncovered amount.**

h) **The Client confirms that the Transactions he will carry out are suitable for him.**

11. GOVERNING LAW AND JURISDICTION

11.1 This Disclosure Statement, as well as the General Terms and Conditions and the Special Terms and Conditions, shall exclusively be governed by and construed in accordance with substantive Swiss law.

11.2 The place of performance, the place of enforcement against Clients residing abroad and the exclusive place of jurisdiction for any dispute arising from or in relation to this Disclosure Statement, the General Terms and Conditions and the Special Terms and Conditions, shall be at the seat of the Bank in Gland/VD in Switzerland. However, the Bank reserves the right to bring such proceedings before the competent courts having jurisdiction at the Client's place of residence or domicile or before any other competent court, in which case substantive Swiss law shall remain exclusively applicable.