Risk Warning

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Authorised and regulated
by the Cayman Islands Monetary Authority
License No. 1522673

Risk Warning

Spread Co Global Markets Limited ('Spread Co Global Markets') is regulated by the Cayman Islands Monetary Authority ("**CIMA**") of P.O. Box 10052, Grand Cayman, KY1-1001, Cayman Islands, with CIMA registration number License No 1522673. This notice is provided to you because you are proposing to undertake dealings in Contracts for Differences (CFDs) and/or Spread Bets. This notice cannot and does not disclose or explain all of the risks and other significant aspects involved in dealing in CFDs and Spread Betting. This notice serves in addition to the Risk Warning Notice Form which must be completed by you when opening an account with Spread Co Global Markets (see Appendix 1).

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage.

You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

You should not engage in CFD trading unless you understand the nature of the transaction you are entering into and the true extent of your exposure to the risk of loss. Your profit or loss will vary according to the extent of the fluctuations in the price of the "underlying markets". For many members of the public, these transactions are not suitable; you should, therefore, consider carefully whether they are suitable for you in the light of your circumstances and financial resources. In considering whether to engage in this form of trading, you should be aware of the following:

a. The high degree of "gearing" or "leverage" is a particular feature of this type of transaction. This stems from the margining system applicable to such trades which generally involves a comparatively modest deposit or margin in terms of the overall contract value, so that a relatively small movement in the underlying market can have a disproportionately dramatic effect on your trade. If the underlying market movement is in your favour, you may achieve a good profit, but an equally small adverse market movement can very quickly result in a substantial loss.

b. Financial markets are volatile and prices can rise and fall quickly. This is particularly the case where price changes are driven by current news or events. Rapid price movements in underlying markets will have a direct impact on the profit or loss you make. You should monitor your open positions regularly and where appropriate make use of stop loss facilities (described in 8. below). It is possible that underlying markets may shift from one level to a lower one whilst the market is closed. This will mean that when the market reopens it will do so at a lower price and there will be no opportunity for you to close your open positions before the market reopens.

c. Past performance is not a reliable indicator of future performance. The value of your positions can go down as well as up.

d. Foreign markets will involve different risks from local markets. The potential for profit or loss from transactions on foreign markets or in foreign currency denominated markets may be affected by fluctuations in foreign exchange rates.

e. You may be called upon to deposit substantial additional margin, at short notice, to maintain your trade. If you do not provide such additional funds within the time required, your trade may be closed at a loss. You will be liable for any resulting deficit.

f. CFD transactions will not be undertaken on a recognised or designated investment exchange. During normal market hours and outside normal market hours, Spread Co Global Markets will execute CFD Orders and Trades at Spread Co Limited's price. Closing trades will be traded at the price dictated by the spread quoted at the time of closing, irrespective of the spread at the time of the opening trade, which may be larger or smaller. No guarantee is given as to the spread at the time of closing. All CFD trades opened by Spread Co Global Markets as your agent must be closed through Spread Co Global Markets and cannot be closed through any other entity.

g. Prior to placing trades, you should ensure that you understand all charges for which you will be liable.

h. CFDs are higher risk investments than ordinary share dealing, as gearing can lead to significant losses, which can be unlimited. However, to limit potential losses and bring peace of mind, clients have access to both a simple stop loss facility and, where it is available, a guaranteed stop loss facility. Both simple and guaranteed stop loss facilities are only available at the absolute discretion of Spread Co. For further detail in relation to stop losses please refer to the Dealing System. A stop loss order allows you to set a price which if breached will automatically trigger a sell order (for long positions) or buy order (for short positions) to close your current position. With a simple stop loss if the share or index breaches your stop loss then your order will be executed when Spread Co is reasonably able to do so. This may mean the order is executed at less than your stop loss price in the case of a long position or more than the stop loss price in the case of a short position. However, you can use a guaranteed stop loss on selected Referenced Investments where this is offered. As it suggests this is a stop loss order that is guaranteed to be executed at the price you specify; even if the price of the underlying Referenced Investment makes a sudden movement and never actually trades at the price that you specified, your position will still be closed at your chosen price. This may not be the case with a simple stop loss. The guaranteed stop loss facility may be available through the online Dealing System or via telephone on such Referenced Investments as determined from time to time. You will also be required to pay a premium for the guaranteed stop loss facility when placing the deal, but many would consider this a small price to pay when compared to the cost of an unpredictable loss. It is important to remember that Spread Co allows you to trade certain CFDs outside of normal market hours. The prices quoted for Index CFDs are Spread Co Limited's prices and are based on market movements. Outside normal market hours the prices are based on the interpretation of how the market may move if it were open. This means simple stop losses and guaranteed stop losses could be triggered outside of normal market hours based on movements in the Spread Co Limited price for the index. For specific information about the applicable trading hours for each instrument, please refer to the Dealing System.

i. 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 rises or falls in one trading session to such an extent that trading is restricted or suspended. Where market conditions are highly volatile, Spread Co Global Markets may not be able to close your positions.

j. Spread Co Global Markets does not provide investment advice relating to investments or possible transactions in investments, or make investment recommendations of any kind. This is subject to an exception where advice given amounts to the giving of factual market information or information, in relation to a transaction about which you have enquired, as to transaction procedures, potential risks involved and how those risks may be minimised.

k. Spread Co Global Markets is required to hold your money in segregated accounts, but this may not afford complete protection.

l. Spread Co Global Markets' insolvency or default may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payment in cash.

m. If you have reason to believe that Spread Co is not acting in accordance with representations that it has made to you, the terms of your customer agreement, the SIB Laws and Regulations, or the CIMA Guidance, you should report it to CIMA at: https://www.cima.ky/complaints-procedure. Please note: Spread Co Global Markets is not indemnified by CIMA or the government of Cayman Islands against any loss or damage which may arise from the conduct of its business as a licensee under the SIB Law.

Appendix 1

RISK WARNING NOTICE FORM

Client Name: ____

This notice is provided to you as a private client in compliance with the Cayman Islands Monetary Authority Securities Investment Business Law (2003 Revision) and its accompanying Regulations. Private clients are afforded greater protections under this Law and its accompanying Regulations than other clients, and you should ensure that your broker tells you what these are.

This notice does not disclose all of the risks and other significant aspects of derivatives products such as futures and contracts for differences. You should not deal in derivatives unless you understand the nature of the contract you are entering into and the extent of your exposure to risk. You should also be satisfied that the contract is suitable for you in the light of your circumstances and financial position.

Certain strategies, such as a "spread" position or a "straddle", may be as risky as a simple "long" or "short" position.

Whilst derivative instruments can be utilised for the management of investment risk, some investments are unsuitable for many investors. Different instruments involve different levels of exposure to risk, and in deciding whether to trade in such instruments you should be aware of the following points.

1. Futures

Transactions in futures involve the obligation to **make, or to take, delivery** of the underlying asset of the contract at a future date, or in some cases to settle your position with cash. They carry a high degree of risk. The "gearing" or "leverage" often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small market movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you. **Futures transactions have a contingent liability**, and you should be aware of the implications of this, in particular the margining requirements, which are set out in paragraph (6) below.

2. Contracts for differences

Futures contracts can also be referred to as a Contract for Differences. These can be futures on any index, as well as currency and interest rate swaps. However, unlike other futures, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future and you should be aware of these as set out in paragraphs 1 and 2 respectively. Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this as set out in the paragraph (6) below.

3. Off exchange transactions

It may not always be apparent whether or not a particular derivative is on or off-exchange. Your broker must make it clear to you if you are entering into an off exchange derivative transaction. While some off-exchange markets are highly liquid, transactions in off-exchange or "non

transferable" derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position, i.e. these might be securities that are not readily realisable instruments. 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 and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

4. Foreign markets

Foreign markets will involve specific market risks. In some cases the risks will be greater. On request, your broker must provide an explanation of the relevant risks and protections (if any) which will operate in any relevant foreign markets, including the extent to which he will accept liability for any default of a foreign broker through whom he deals. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

5. Contingent liability transactions

Contingent liability transactions that are margined require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

If you trade in futures or contracts for differences you may sustain a total loss of the margin you deposit with your broker to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be liable for any resulting deficit.

Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered the contract.

Contingent liability transactions which are not traded on or under the rules of a recognised may expose you to substantially greater risks.

6. Collateral

If you deposit collateral as security with your broker, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral depending on whether you are trading on a recognised investment exchange, with the rules of that exchange (and associated clearing house) applying, or trading off exchange. Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets that you deposited and may have to accept payment in cash. You should ascertain from your broker how your collateral will be dealt with.

7. Commissions and charges

Before you begin to trade, you should obtain all the relevant facts relating to the firm's remuneration attributable to any transaction and details of any 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 written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, 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.

8. Suspension of trading

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 rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

9. Clearing house protections

On many exchanges, the performance of a transaction by your broker (or the third party with whom he is dealing on your behalf) is "guaranteed" by the exchange or its clearing house. However, this guarantee is unlikely in most circumstances to cover you, the client, and may not protect you if your broker or another party defaults on its obligations to you. On request, your broker must explain any protection provided to you under the clearing guarantee applicable to any on-exchange derivatives in which you are dealing. There is no clearing house for off-exchange instruments which are not traded under the rules of a recognised investment exchange.

10. Insolvency

Your broker's insolvency or default, or that of any other brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets that you lodged as collateral and you may

have to accept any available payment in cash. On request, your broker must provide an explanation of the extent to which he will accept liability for any insolvency of, or default by, other brokers involved with your transactions.

11. Warrants

A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities, and is exercisable against the original issuer of the underlying securities. Warrants often involve a high degree of gearing, so that a relatively small movement in the price of the underlying security results in a disproportionately large movement in the price of the warrant. The prices of warrants can therefore be volatile. You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges. Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a "covered warrant").

Transactions in off-exchange warrants may involve greater risk than dealing in exchange traded warrants because there is no exchange market through which to liquidate your position, to assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted, and even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price. Your broker must make it clear to you if you are entering into an off-exchange transaction and advise you of any risks involved.

<u>Firm:</u> Spread Co Global Markets Limited

I/We have read and understood the risk warning notice set out above.

Date ____________________

Signature of Client: __________________________________

Signature of Joint Account Holder: _________________________