

RISK WARNING NOTICE (PROFESSIONAL CLIENTS)

EQUITI CAPITAL UK LIMITED

Effective: June 2019

CFDs are high risk financial products, which are not appropriate for many members of the public.

Trading on margin carries a high level of risk to your capital, and you can lose more than your initial deposit. You should ensure that you fully understand the risks involved and seek independent advice if necessary.

We request that you carefully read through this full risk warning notice as outlined below, before opening a trading account with Equiti Capital and this should be read in conjunction with its associated Terms & Conditions, Summary Order Execution Policy, Summary Conflicts of Interests Policy and other Client Legal Documents, which are available on our website (www.equiticapital.co.uk).

Contracts for Difference (CFDs)

CFDs are a type of transaction the purpose of which is to secure a profit or avoid a loss by reference to fluctuations in the value or price of an underlying instrument. Types of CFDs include but are not limited to, Foreign Exchange CFDs, Futures CFDs, Option CFDs, Share CFDs and Stock Index CFDs. CFDs can only be settled in cash.

Investing in a CFD carries a high degree of risk because the 'gearing' or 'leverage' often obtainable means that a relatively small movement in the market 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. You may need to provide further funds with little or no notice. It is possible to lose more money than you have deposited into the account.

No Advice

Equiti Capital offers an execution only service. We do not provide investment advice relating to investments or trading positions nor do we provide tax advice. We may provide our clients with factual market information about the transaction procedures and potential risk exposure and how risks may be minimised. However, any decision to use our products or services is made by you.

Appropriateness

As a professional client of Equiti Capital, Equiti Capital is allowed to assume that you have the necessary levels of

experience and knowledge to transact with Equiti Capital on a CFD account.

During our application process we will ask you for information about your financial assets, earnings, knowledge and trading experience, to help us determine if we can open an account for you or warn you if, on the basis of the information you provide us, any product or services we provide are not appropriate for you. We do not monitor on your behalf whether the amount of money you have sent to us or your profits or losses are consistent with that information. It is up to you to assess whether your financial resources are adequate for your financial activity with us and your risk appetite in the products and services you use. Additionally, you are responsible for informing Equiti Capital if you no longer meet the criteria to be considered a professional client.

You should consider whether you have adequate financial resources to meet your financial activity with us and your risk appetite in the products and services you use. Any decision to open an account and proceed with the use of our products and services is yours. It is your responsibility to understand the risk involved with the products and services we offer.

GENERAL RISK FACTORS

Monitoring Your Positions

It is your responsibility to closely monitor your positions during the period you have applied any orders or positions to your account and you should always ensure you have accessibility to access your accounts during the period you have open contracts running. Equiti Capital does not have to notify you of any failure to meet Margin requirements prior to us exercising our rights under the Agreement with you, including but not limited to our right to close or terminate your positions in your account(s) in order to satisfy Margin requirements. Without prejudice to the foregoing, any transaction entered into by you or on your behalf which results in there being insufficient Margin to cover any actual or anticipated losses or liabilities in connection with your Account will constitute an Event of Default and we may in our discretion exercise our rights in clause 18 of the Client Agreement, whether there has been a Margin Call or not.

Margin Requirements

Margin requirements may be set and varied without prior notice from time to time at our sole and absolute discretion in order to cover any realised or unrealised losses arising from or in connection with transactions, including subsequent variation of any Margin rates set at the time transactions are

opened. If we increase our margin requirements, it may prevent you from adding positions or hedging existing positions if you have insufficient equity. If margin requirement has increased, you may have to deposit additional equity in advance or your positions may be liquidated.

Electronic Communications

We provide you with the opportunity to contact us through electronic means, such as email, live chat as available and/or applicable. This is usually a reliable means of communication, however there may be instances where you may experience technical issues that arise and therefore should not be entirely relied upon as a means of communication. If you choose to trade with us through electronic means, you should be aware that electronic communications can fail, can be delayed, may not be secure and/or may not reach the intended destination. Please also refer to Electronic Trading below.

Default

Since Equiti Capital is the counterparty to your trades, you are exposed to financial and business risks where, in an unlikely event that the company suffers a financial default, resulting in the company being unable to meet its financial obligations. However, Equiti Capital is a member of the Financial Services Compensation Scheme (FSCS) and you may be able to claim if we are unable to meet our financial obligations to you. Whether you are able to claim will be dependent upon the type of account business that you hold with Equiti Capital. Further information can be referenced on our website and for in depth information please refer to the FSCS website at: www.fscs.org.uk/what-we-cover

The insolvency or default of any other brokers involved in your transaction, may lead to positions being liquidated or closed out without your knowledge or consent.

Our Products and Services

We offer execution-only services and CFDs across a wide range of underlying markets. Although the prices at which you open contracts are derived from the underlying market, the characteristics of our contracts can vary substantially from the actual underlying market or instrument. Full details of all of the contracts we offer are sent out to all new clients who onboard with Equiti Capital. If you require a copy of this document, please contact accounts@equiticapital.co.uk.

Non-Guaranteed Stops

Where you have added a non-guaranteed stop as part of your trading, when such a stop is triggered it effectively issues an order from you to us to close your contract. Your contract may not necessarily be closed immediately when the stop is

triggered. We aim to deal with such orders fairly and promptly, but the time taken to fill the order and the level at which the order is filled depends upon the underlying market. In fast-moving markets, a price for the level of your order might not be available or the market might move quickly and significantly away from the stop level before we are able to fill it. In such cases, your trade may be closed out at a worst price than the price you originally entered into the trade for. We only offer Non-Guaranteed Stops.

INVESTMENT SPECIFIC RISKS

Although derivative instruments can be used for the management of investment risk, some of these products 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:

CFDs traded with Equiti Capital are all margin traded products. Investing in margined CFDs carries a high degree of risk due to leverage, which means that you can place a large trade by only putting up a small amount of money as margin. Often, a relatively small price movement can lead to a proportionally much larger movement in the value of your investment.

CFDs settle based on the difference between the opening price and the closing price of the trade. They can settle in a currency other than your base currency and therefore your profit or loss could be liable to foreign exchange fluctuations.

You should not trade any margined product unless you fully understand all the risks involved with doing so and that you have sufficient resources available to you that in the event, however unlikely you may deem it to be, that there is an adverse movement in the price of that product, that you can meet the financial obligations required by you with respect to margin payments and losses.

Off-Exchange Transactions in Derivatives

Our products are traded exclusively off-exchange, a type of trading which is also called dealing "over-the-counter" or "OTC". In dealing with us off-exchange you deal directly with us and we are the counterparty to all of your transactions.

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. It may be impossible to liquidate an existing position (which may be particularly the case where there are

abnormal market conditions – see the Terms and Conditions for more information), to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk.

TRADING CONDITION RISKS

Volatility

You should be aware that prices can move quickly particularly at times of high market volatility. These risks could arise in or outside normal business hours and can result in the balance of your account changing rapidly. If you do not have sufficient funds in your account to cover these situations, there is a risk that your positions will be automatically closed if the balance of your account falls below the close-out level.

Currency

If you trade in a market other than your base currency market, currency exchange fluctuations will impact your profits and losses. All margins, profits, losses and financing credits/debits in relation to that trade will be calculated using the currency of that market and thus, your profits or losses will be further affected by fluctuations in the exchange rates.

Price and Commissions

The prices quoted may not necessarily reflect the broader market. We will select closing prices to be used in determining margin requirements and in periodically marking to market the positions in customer accounts. Although we expect that these prices will be reasonably related to those available on what is known as the interbank market, prices we use may vary from those available to banks and other participants in the interbank market. Consequently, we may exercise considerable discretion in setting margin requirements and collecting margin funds.

Market Liquidity

The price quoted by Equiti Capital is usually correct up to a certain transaction size. Attempting to execute larger order sizes may impact the likelihood of attaining the quoted price. It should be noted that for each product, Equiti Capital makes available a minimum and maximum trade size. The size of each transaction is dependent on the market conditions and the risk management procedure set by Equiti Capital. Equiti Capital reserves the right to decline large order sizes that would result in exposing the firm or client to significant risk.

In order to maintain additional liquidity to the market, we may apply a different spread to the price. Some markets which are quoted by us are done so outside of normal markets hours, and as such are known as “grey markets”. In these situations, while

every effort is made to keep prices and spreads consistent, this may not always be possible during particular volatile periods or during periods of illiquidity in corresponding markets.

Suspensions of Trading

This may occur, for example, at times of rapid price movements 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.

Gapping

Gapping is a sudden shift in the price of an underlying market from one level to another, where there are no prices between those levels. Various factors can lead to gapping (for example, economic events or market announcements) and gapping can occur either when the underlying market is open or when it is closed. When these factors occur when the underlying market is closed, the price of the underlying market when it reopens (and therefore our derived price) can be markedly different from the closing price, with no opportunity to exit your instruments before the market opens.

Gearing and Leverage

Before you are allowed to enter into a Contract with us, you will generally be required to deposit money with us – this is called the margin requirement. This margin requirement will usually be a relatively modest proportion of the overall Contract value. This means that you will be using ‘leverage’ or ‘gearing’ and this can work for or against you; a small price movement in your favour can result in a high return on the margin requirement placed for the Contract, but a small price movement against you may result in substantial losses.

At all times during which you have open positions, you must ensure that your account balance, taking into account all running profits and losses, is equal to at least the total margin requirement that we require you to have deposited with us. Therefore, if our price moves against you, you may need to provide us with significant additional funds immediately to meet your margin requirement and maintain your open positions. If you do not do this, we will be entitled to close one or more or all of your positions. You will be responsible for any losses incurred as a result.

The need to monitor your positions is of greater importance when you have entered into Contracts with us because of the effect of gearing. Gearing magnifies the rate at which profits

or losses can be incurred and, as a result, it is important that you monitor your positions closely.

Margin Calls and Close Outs

In the case that the Margin Level in your trading account is below 100%, you will see a margin call on your trading platform and you will not be able to increase your overall exposure. If your Margin Level falls below the margin level agreed with us, the trading system will automatically start closing out your open positions. *For example, if you have your margin level set at 0%, and your margin level falls below this number, your positions will automatically start closing out.* This is to reduce (but not eliminate) the risk of you being liable for more than you have invested. It is strongly advised that clients should maintain sufficient margin in the client account to avoid being closed out as well as using limit/stop orders.

“Margin Level” is equal to $(\text{Equity}/\text{Used Margin}) \times 100$. “Equity” equals your account realised balance plus your floating profits/losses. “Used Margin” equals the total amount of margin placed with Equiti to open positions.

For example, if you have deposited \$1,000, and entered a GBPUSD transaction requiring margin of \$200:

Floating P&L = -\$850

Equity = \$150 (Balance + Floating Profit/Loss) – (\$1,000 + -\$850)

Used Margin = \$200

Margin Level = 50% of Used Margin – (\$100)

In this case, a margin call would be identified on your trading platform. If the Floating P&L was greater than -\$900, then the trading system would start to automatically close out your positions.

Limit/Stop Orders

Limit orders are contingent orders by clients looking to open a trading position upon the market moving to requested price (or better), and until such time it remains unfilled. A stop order is a request to automatically close out an open position upon the market moving to a requested price (or worse). Such order types may be used to limit downside risks of moving markets and are recommended to be used for those purposes. However, they do not guarantee that the fill price will be available at the requested price (which is dependent on available liquidity), especially in market gaps or fast-moving markets.

Quoted Prices

You should note that all prices quoted on the platform or the website are indicative only. Upon you agreeing to enter into a transaction, an executable price may or may not differ from the quoted price. Although the quoted prices are, in normal market conditions very similar to the executed prices, the executed prices may vary if the market has moved (even in a split second) since you have requested a quote.

Contingent Liability Investment Transactions

Contingent liability investment transactions, which 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 CFDs you may sustain a total loss of the margin you deposit with the firm 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 responsible for the 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.

Weekend and Holiday Risk

Not all trades can be opened or closed 24 hours a day. Many are subject to strict opening and closing times which can fluctuate. Our product trading hours are available on the MT4 trading platform and upcoming holiday hours are posted on our website, which we endeavour to keep up to date, without any obligation or liability on us to do so, or for its accuracy. For example, national holidays and daylight savings changes will affect the times when you can trade. Also, a market may be suspended for a variety of reasons and during this time you will not usually be able to trade.

Electronic Trading

The use of electronic trading systems and communication networks to facilitate trades exposes you to risks associated with the system including the failure of hardware and software system or network down time, access or connection failures.

Expert Advisors & Indicators

You accept that you take sole responsibility for any third-party applications that you may install either directly or indirectly on your MetaTrader platform, and also the use of any software provided on MT4/MT5 when downloaded. These may include robotic trading tools, known as Expert Advisors (“EAs”), which

can be set up to automatically trade on a client's account or indicators which allegedly show beneficial times to trade.

It is your sole responsibility to do due diligence on the respective software and then decide if you are willing to take the risk of installing and using it on your trading account. Equiti is not responsible in any capacity for decisions, trades or signals generated by the use of EA's or indicators or your use of them or with for the resulting profits or losses generated by them.

Some EA's may generate a high number of trades and at times leverage a client to their maximum possible exposure to a market given their available funds. It is your sole responsibility to monitor these trades and/or orders and the profit and loss generated by them, as it is at all times on your account.

Corporate Action Events

We do not make profits from our clients from the outcome of corporate action events such as rights issues, takeovers, mergers, share distributions or consolidations and open offers. We aim to reflect the treatment we receive, or, would receive if we were hedging our exposure to you in the underlying market. Ultimately however, you are not dealing in the underlying market and therefore in relation to our contracts:

- the treatment you receive may be less advantageous than if you owned the underlying instrument;
- we may have to ask you to make a decision on a corporate action event earlier than if you owned the underlying instrument;
- the options we make available to you might be more restricted and less advantageous to you than if you owned the underlying instrument; and/or
- where you have a stop attached to your open OTC derivative share position, the treatment that you will receive from us will, to the maximum extent possible, aim to preserve the economic equivalent of the rights and obligations attached to your contract with us immediately prior to the corporate event taking place.