

# **RISK ACKNOWLEDGEMENT AND DISCLOSURE**

## **Risk Warning**

Prospective clients should study the following risk warnings very carefully. Please note that we do not explore or explain all the risks involved when dealing in Financial Instruments (including Contracts for Difference "the CFDs" and Equities). We outline the general nature of the risks of dealing in Financial Instruments on a fair and non-misleading basis.

- Contracts for Difference ('CFDs') are complex financial products and not suitable for all investors. CFDs, are leveraged products that mature when you choose to close an existing open position. By investing in CFDs, you assume a high level of risk and can result in the loss of all your invested capital.
- Unless a client knows and fully understands the risks involved in each Financial Instrument, they should not engage in any trading activity. You should not risk more than you are prepared to lose.
- PrimeX Broker PTY LTD, known as PrimeX Capital will not provide clients with any investment advice in relation to investments, possible transactions in investments, or Financial Instruments, neither will we make any investment recommendations. Clients should consider which Financial Instrument is suitable for them according to their financial status and goals before opening an account with PrimeX Capital.
- If a client is unclear about the risks involved in trading in Financial Instruments, then they should consult an independent financial advisor. If the client still doesn't understand these risks after consulting an independent financial advisor, then they should refrain from trading at all.
- Purchasing and selling Financial Instruments comes with a significant risk of losses and damages and each client must understand that the investment value can both increase and decrease, and clients are liable for all these losses and damages, which could result in more than the initial invested capital once they make the decision to trade.

## **Acknowledgement**

### **Technical Risk**

1. The Client shall be responsible for the risks of financial losses caused by the failure of information, communication, electronic, and other systems. The result of any system failure may be that their order is either not executed according to their instructions or it is not executed at all. The Company does not accept any liability in the case of such a failure.
2. While trading through the Client Terminal, the Client shall be responsible for the risks of financial losses caused by:

- Client's or Company's hardware or software failure, malfunction, or misuse.
- Poor Internet connection either on the side of the Client or the Company or both, or interruptions or transmission blackouts, public electricity network failures, hacker attacks, or overload of connection.
- The wrong settings in the Client Terminal.
- Delayed Client Terminal updates.
- The Client disregarding the applicable rules described in the Client Terminal user guide and on the Company's Website.

### Abnormal Market Conditions

3. The Client acknowledges that under Abnormal Market Conditions, the period during which the Instructions and Requests are executed may be extended.

### Trading Platform

4. The Client acknowledges that only one Request or Instruction is allowed to be in the queue at one time. Once the Client has sent a Request or an Instruction, any further Requests or Instructions sent by the Client are ignored, and the "Order is locked" message appears until the first Request or Instruction is executed.
5. The Client acknowledges that the only reliable source of Quotes Flow information is that of the real/live Server's Quotes Base. Quotes Base in the Client Terminal is not a reliable source of Quotes Flow information because the connection between the Client Terminal and the Server may be disrupted at some point, and some of the Quotes simply may not reach the Client Terminal.
6. The Client acknowledges that when the Client closes the order placing/modifying or deleting window or the position opening/closing window, the Instruction or Request, which has been sent to the Server, shall not be cancelled.
7. In case the Client has not received the result of the execution of the previously sent Instruction but decides to repeat the Instruction, the Client shall accept the risk of making two Transactions instead of one. However, the Client may receive an "Order is locked" message as described in point 2.5 above.
8. The Client acknowledges that if the Pending Order has already been executed but the Client sends the Instruction to modify its level and the levels of If-Done Orders at the same time, the only Instruction that will be executed is the Instruction to modify Stop Loss and/or Take Profit levels on the position opened when the Pending Order was triggered.

### Communication

9. The Client shall accept the risk of any financial losses caused by the fact that the Client has received with delay or has not received at all any notice from the Company.
10. The Client acknowledges that unencrypted information transmitted by email is not protected from any unauthorized access.
11. The Client is fully responsible for the risks in respect of undelivered trading platform internal mail messages sent to the Client by the Company as they are automatically deleted within 3 (three) calendar days.
12. The Client is wholly responsible for the privacy of the information received from the Company and accepts the risk of any financial losses caused by unauthorized access of a third party to the Client's Trading Account.
13. The Company has no responsibility if authorized/unauthorized third persons access to information have, including electronic addresses, electronic communication, and personal data, access data when the above are transmitted between the Company or any other party, using the internet or other network communication facilities, telephone, or any other electronic means.

### Force Majeure Event

14. In case of a Force Majeure Event, the Client shall accept the risk of financial losses.

## **Risk Warning Notice for Foreign Exchange and Derivative Products**

1. This notice cannot disclose all the risks and other significant aspects of foreign exchange and derivative products such as futures, options, and Contracts for Differences. You should not deal in these products unless you understand their nature and the extent of your exposure to risk. You should also be satisfied that the product is suitable for you considering 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. Although forex and derivative instruments can be used for the management of investment risk, some of these products are unsuitable for many investors. You should not engage in any dealings directly or indirectly in derivative products unless you know and understand the risks involved in them and that you may lose entirely all your money. 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:

### Effect of Leverage

2. Under Margin Trading conditions, even small market movements may have a great impact on the Client's Trading Account. It is important to note that all accounts trade under the effect of Leverage. The Client must consider that if the market moves against them, they may sustain a total loss greater than the funds deposited. The Client is responsible for all the risks, financial resources they use, and for the chosen trading strategy.
  - It is highly recommended that the Client maintains a Margin Level (percentage Equity to Necessary Margin ratio which is calculated as  $\text{Equity} / \text{Necessary Margin} * 100\%$ ) of not lower than 1,000%. It is also recommended to place Stop Loss to limit potential losses and Take Profit to collect profits when it is not possible for the Client to manage the Client's Open Positions.
  - The Client shall be responsible for all financial losses caused by the opening of the position using temporary excess Free Margin on the Trading Account gained because of a profitable position (cancelled by the Company afterward) opened at an Error Quote (Spike) or at a Quote received because of a Manifest Error.

### High Volatile Instruments

3. Some Instruments trade within wide intraday ranges with volatile price movements. Therefore, the Client must carefully consider that there is a high risk of losses as well as profits. The price of Derivative financial instruments is derived from the price of the underlying asset in which the instruments refer to (for example currency, stock, metals, indices, etc.). Derivative financial instruments and related markets can be highly volatile. The prices of instruments and the underlying asset may fluctuate rapidly and over wide ranges and may reflect

unforeseeable events or changes in conditions, none of which can be controlled by the Client or the Company. Under certain market conditions, it may be impossible for a client's order to be executed at the declared price leading to losses. The prices of instruments and the underlying asset will be influenced by, amongst other things, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events, and the prevailing psychological characteristics of the relevant marketplace. Therefore, a Stop Loss order cannot guarantee the limit of loss.

The Client acknowledges and accepts that, regardless of any information which may be offered by the Company, the value of Instruments may fluctuate downwards or upwards and it is even probable that the investment may become of no value. This is owed to 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 the Client's trade. If the underlying market movement is in the Client's favor, the Client may achieve a good profit, but an equally small adverse market movement can not only quickly result in the loss of the Client's entire deposit but may also expose the Client to a large additional loss.

### Liquidity

4. Some of the underlying assets may not become immediately liquid because of reduced demand for the underlying asset and the Client may not be able to obtain the information on the value of these or the extent of the associated risks.

### Futures

5. 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 the 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 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 the margining requirements, which are set out below.

### Options

6. There are many different types of options with different characteristics subject to the following conditions.

- **Buying Options:** Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you will acquire the future. This will expose you to the risks described under futures and contingent liability investment transactions.
- **Writing Options:** If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well more than the premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (when the options will be known as covered call options) the risk is reduced. If you do not own the underlying asset (uncovered call options) the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

### Contracts for Differences

7. The CFDs available for trading with the Company is non-deliverable spot transactions giving an opportunity to make a profit on changes in currency rates, commodity, stock market indices, or share prices called the underlying instrument. If the underlying instrument movement is in the Client's Favor, the Client may achieve a good profit, but an equally small adverse market movement can not only quickly result in the loss of the Client's entire deposit but also any additional table-accordion commissions and other expenses incurred. So, the Client must not enter CFDs unless he is willing to undertake the risks of losing entirely all the money which he has invested and any additional table-accordion commissions and other expenses incurred.

Investing in a Contract for Differences carries the same risks as investing in a future or an option and you should be aware of these as set out above. Transactions in Contracts for Differences may also have a contingent liability, and you should be aware of the implications of this as set out below.

## Equities

8. Equities represent a portion of a company's share capital. The extent of the Client's ownership in a company depends on the number of shares the Client owns in relation to the total number of shares in issue.
- Shares are bought and sold on stock exchanges and their values can go down. In respect of shares in smaller companies, there is an extra risk of losing money when such shares are bought or sold. There can be a big difference between the buying and selling price of these shares. If they have to be sold immediately, the Clients may get back much less than they paid for them.
  - Shares in companies incorporated in emerging markets may be harder to buy and sell than those shares in companies in more developed markets and such companies may also not be regulated as strictly.
  - All Equities offered are listed on an exchange, which means that the prices are not set by the Company. The Company will act on any instruction that the Client provides to buy or sell an instrument on their behalf in accordance with the Company's obligation to provide best execution as set out in the order execution policy, to act reasonably and in accordance with the applicable Client Agreement and other Operative Agreements.
  - The Company may place the Client's instructions to deal outside of an exchange if this is in line with the order execution policy. The Company will arrange for the custody of the Client's instruments.
  - All equities purchased for the Client or transferred to the Company by the Client will be purchased in the name of the nominee company or PrimeX Capital, and/or held by a nominee company selected by PrimeX Capital, for the benefit of the Client.
  - As investments will be held in the name of a nominee company, the Client may not have voting rights which they would have had if they held the investment in their own name.
  - All financial investments involve an element of risk. The value of any investment the Client makes through may fall as well as rise and the Client may get back less than their initial investment. Past performance is not an indication of future performance. The risks that the Clients are exposed to will vary according to the instruments they instruct the Company to buy and sell on their behalf. The Clients should be aware that physical shares admitted to trading on a regulated market are not high-risk financial products.
  - The Company's services are provided on an execution-only basis. The Company does not provide investment advice in relation to Equities. The Company might provide information or research recommendations about a market, information about transaction procedures, and information about the



potential risks involved and how those risks may be minimized. However, any decision to use the products or services is made by the Client.

#### Collateral risks (professional/elective professionals only)

9. When Clients enter into the Collateral Agreement with the Company, it is agreed to take security over the assets in the Share Account in place of cash for payment of margin on their linked CFD Account. The value of shares and CFDs will rise and fall. If the collateral value of the assets in Clients Share Account, together with any cash on Client's linked CFD Account, falls below the amount required to maintain the open positions, the Client may be closed out of the CFD positions on that linked account, and the Company will have the right to sell the assets in the Client's Share Account in order to pay for any resulting deficit.

As the value of the assets in the Client's Share Account fluctuates, the value of the collateral that the Client can utilize as margin will also fluctuate. The Client will need to monitor their Share Account and the linked CFD Account to ensure that the collateral value and any cash they have deposited on their linked CFD Account is sufficient to fund their open positions on that account.

The Client will only be able to use their collateral services to cover margin requirements on open positions on their linked CFD Account, and they will need to cover any running losses using the available cash in their linked CFD Account.

#### Off-exchange Transactions in Derivatives

10. CFDs, forex, and precious metals are off-exchange 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 because there is no exchange market on which to close out an Open Position. It may be impossible to liquidate an existing position, assess the value of the position arising from an off-exchange transaction, or assess the exposure to risk. Bid prices and Ask 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.
  - Regarding transactions in CFDs, forex, and precious metals with the Company, the Company is using a trading platform for transactions in CFDs which does not fall into the definition of a recognized exchange as this is not a Multilateral Trading Facility and so does not have the same protection.

#### Foreign Markets

11. Foreign markets involve various risks. On request, the Company must provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which it will accept liability for any default

of a foreign firm through whom it 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.

### Contingent Liability Investment Transactions

12. 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. The Margin requirement will depend on the underlying asset of the instrument. Margin requirements can be fixed or calculated from the current price of the underlying instrument, and it can be found on the website of the Company.
- If you trade in futures, Contracts for Differences, or sell options, you may sustain a total loss of the funds you have deposited to open and maintain a position. If the market moves against you, you may be called upon to pay substantial additional funds 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. It is noted that the Company will not have a duty to notify the Client for any Margin Call to sustain a loss-making position.
  - 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 investment transactions that are not traded on or under the rules of a recognized or designated investment exchange may expose you to substantially greater risks.

### Collateral

13. If you deposit collateral as security with the Company, 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 recognized or designated investment exchange, with the rules of that exchange (and the 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 which you deposited and may have to accept payment in cash. You should ascertain from your firm how your collateral will be dealt with.

### Commissions and Taxes

14. Before you begin to trade, you should make yourself aware of all table-accordion commissions and other charges for which you will be liable. If any charges are not

expressed in monetary terms (but, for example, as a percentage of contract value), you should ensure that you understand the true monetary value of the charges.

- There is a risk that the Client's trades in any Financial Instruments, including derivative instruments, may be or become subject to tax and/or any other duty, for example, because of changes in legislation or personal circumstances. The Company does not warrant that no tax and/or any other stamp duty will be payable. The Client is responsible for any taxes and/or any other duty which may accrue in respect of his trades.
- The Clients are responsible for managing their tax and legal affairs including making any regulatory filings and payments and complying with applicable laws and regulations. The Company does not provide any regulatory, tax, or legal advice. If the Clients are in any doubt as to the tax treatment or liabilities of investment products available through the Company, they should seek independent advice.

### Suspensions of Trading

15. 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 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. In addition, under certain market conditions, the execution of a Stop Loss Order may be worse than its stipulated price, and the realized losses can be larger than expected.

### Clearing House Protections

16. On many exchanges, the performance of a transaction by your firm (or a third party with whom it is dealing on your behalf) is guaranteed by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover you, the Client, and may not protect you if your firm or another party defaults on its obligations to you. On request, the Company 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 traditional options, nor normally for off-exchange instruments which are not traded under the rules of a recognized or designated investment exchange.

### Insolvency

17. The Company's 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 payments in cash or by any other method deemed to be appropriate.

- Segregated Funds will be subject to the protections conferred by Applicable Regulations.
- Non-segregated Funds will not be subject to the protections conferred by Applicable Regulations. Non-segregated Funds will not be segregated from the Company's money and will be used during the Company's business, and in the event of the Company's insolvency, you will rank as a general creditor.

### **Third-Party Risk**

This notice is provided to you in accordance with applicable legislation.

1. The Company may pass money received from the Client to a third party (e.g., a bank, a market, an intermediate broker, an OTC counterparty, or a clearing house) to hold or control to affect a Transaction through or with that person or to satisfy the Client's obligation to provide collateral (e.g., initial margin requirement) in respect of a Transaction. The Company has no responsibility for any acts or omissions of any third party to whom it will pass money received from the Client.
2. The third party to whom the Company will pass money may hold it in an omnibus account, and it may not be possible to separate it from the Client's money or the third party's money. In the event of the insolvency or any other analogous proceedings in relation to that third party, the Company may only have an unsecured claim against the third party on behalf of the Client, and the Client will be exposed to the risk that the money received by the Company from the third party is insufficient to satisfy the claims of the Client with claims in respect of the relevant account. The Company does not accept any liability or responsibility for any resulting losses.
3. The Company may deposit Client money with a depository who may have a security interest, lien, or right of set-off in relation to that money.
4. A Bank or Broker through whom the Company deals with could have interests contrary to the Client's interests.