

# General Risk Disclosures

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## 1. Introduction

Colmex Pro Ltd. ("**ColmexPro**", "**Company**", "**We**" or "**Us**") is authorized and regulated by the Cyprus Securities and Exchange Commission ("CySEC") with [license number 123/10](#). Our registered address is 11 Makariou III & Sissifou str. 3021, Limassol, Cyprus and we are registered in Cyprus with company number HE 260064.

At ColmexPro, we are committed to providing a high standard of service to our clients, and upholding our reputation for integrity, transparency, and accountability.

We value client feedback and continuously strive to improve our services. If you have any concerns or are dissatisfied with any aspect of our service, we encourage you to reach out to us. We will promptly investigate your concerns, address your questions, and work towards a resolution to enhance your trading experience.

Should you have any questions or wish to raise a concern, please contact our Customer Support Team at [support@colmexpro.com](mailto:support@colmexpro.com).

The following General Risk Disclosures (the "**Disclosures**") outline important information regarding the nature and risks associated with various investment products. It is essential to understand these risks before engaging in any trading activities.

All words and phrases highlighted and not defined in this Disclosures, shall have the same meaning as defined in our Terms and Conditions (as applicable).

## 2. Services & Applicability

These Disclosures do not explain all the risks or how the risks relate to your personal circumstances. If you have any doubt whether or not our products are appropriate for you, you should seek professional advice before trading.

We provide clients with the opportunity to invest and trade in the following Financial Instruments:

- (a) **Contracts for Difference (CFDs)**, on various financial assets, including shares, indices, commodities, cryptocurrencies, and currency pairs (Forex).
- (b) **Transferable Securities (Equities)**, including shares, Exchange Traded Funds, and Options.

Our products are available to both retail and professional clients. However, it is important to understand that all investments carry risk. By trading or investing in any of the above products, you are exposing your capital to potential losses, and there is no guarantee that you will recover the full amount of your original investment.

## 3. Risk Warnings Related to both CFDs & Equities

Investing in financial instruments, including **Contracts for Difference** and **Equities**, involves significant risks that may not be suitable for all investors. It is essential to fully understand these risks before engaging in any trading activity. Below, we outline the key risks associated with trading CFDs and Equities.



### 3.1. Execution Only

We provide the Services on an execution-only basis, meaning we do not offer investment advice or recommendations regarding the suitability of any financial instruments. All investment decisions made are solely your responsibility.

- **No Advice or Portfolio Management:** The Company does not provide investment advice or make personal investment recommendations when executing orders.
- **Risk of Poor Decision-Making:** Without professional financial guidance, you may make uninformed or unsuitable investment choices, potentially leading to significant losses.
- **Responsibility for Monitoring Investments:** You must actively monitor your portfolio, understand the risks involved, and ensure that your investment decisions align with your financial goals.

If you are unsure about any aspect of trading, you should seek independent financial advice before engaging in any transactions.

### 3.2. Market Risk

All Financial Instruments are subject to market fluctuations. Prices of CFDs and Equities can rise or fall based on numerous factors, including economic events, political developments, corporate earnings, interest rate changes, and global market sentiment. As a result, investors may lose part or all of their invested capital.

### 3.3. Volatility Risk

Financial markets can experience sudden and extreme price movements due to various factors, including economic data releases, geopolitical events, and corporate earnings reports.

Volatile markets can cause sharp and unpredictable price movements, leading to unexpected gains or losses. In highly volatile conditions, stop-loss orders may be executed at significantly different prices than intended due to market gaps whereas increased volatility can lead to impulsive decision-making, causing investors to enter or exit positions at suboptimal times.

Understanding volatility risk is crucial for managing expectations and implementing appropriate risk management strategies.

### 3.4. Currency Risk

When trading CFDs or Shares denominated in a currency different from the base currency of your Trading Account, fluctuations in exchange rates can directly impact your profit and loss. Currency risk arises from changes in foreign exchange rates, which may increase or decrease the value of your investments independently of the Underlying Asset's performance.

If the currency in which your CFD or Equity is denominated strengthens against your account currency, potential profits may be reduced, or losses may be amplified when converted back to your base currency. Conversely, if the currency weakens, profits may be higher, or losses lower after conversion.



Margin, financing costs, and other Trading Account adjustments are calculated in the currency of the traded product. This means that fluctuations in exchange rates can affect margin requirements, unrealized Profit and Loss, and funding costs over time.

Clients trading products in different currencies should consider the potential impact of exchange rate fluctuations and assess whether hedging strategies or multi-currency holdings are appropriate for managing this risk.

### 3.5. Extended Hours Trading Risk

Some Financial Instruments may be traded outside of regular market hours, including pre-market and after-hours trading sessions. While this provides additional trading opportunities, it also carries unique risks:

- **Lower Liquidity and Reduced Execution Quality:** Extended hours trading typically involves lower trading volumes and reduced market depth, which can result in wider bid-ask spreads, increased price volatility, delayed executions, partial fills, or executions at prices less favorable than those available during regular market hours.
- **Price Discrepancies:** Prices during extended sessions may differ significantly from regular market hours due to lower participation and limited market depth.
- **Delayed Reaction to News:** Corporate earnings reports, economic data releases, or geopolitical developments that occur after-hours may lead to large price swings when the market reopens.

You should exercise caution when engaging in extended hours trading and consider the additional risks involved.

### 3.6. Regulatory and Legal Risk

Financial markets are subject to **changing regulations**, which may impact the ability to trade certain instruments. Governments or regulatory authorities may introduce new rules, impose restrictions, or prohibit specific trading activities, affecting the availability and pricing of CFDs and equities.

### 3.7. Sustainability / ESG-Related Information Risk

Certain Financial Instruments may be described by issuers, manufacturers, fund managers, index providers or other third parties as having environmental, social or governance characteristics, sustainability-related features, or as being classified under a sustainability-related framework such as SFDR, where applicable. Such descriptions, classifications or characteristics do not eliminate investment risks and do not mean that the relevant Financial Instrument is suitable for all investors, lower risk, more profitable, or guaranteed to achieve any sustainability-related outcome.

Sustainability-related information may be based on third-party disclosures, methodologies, classifications or data, which may vary between providers and may change over time. The Company does not independently certify, rate or verify Financial Instruments as ESG, sustainable, green or equivalent and does not provide investment advice, portfolio management or sustainability preference assessments. You should consider any sustainability-related information together with all other relevant risks and product documentation before making an investment decision.



### 3.8. Liquidity Risk

Liquidity risk refers to the possibility that, under certain market conditions, you may be unable to close part or all of your position at the desired price—or at all. Market liquidity can fluctuate significantly, and in extreme cases, certain financial instruments may become illiquid, making it difficult to execute transactions.

We are not obligated to provide quotes for any CFD or Equity at all times, and we do not guarantee the continuous availability of pricing or trading for any Financial Instrument. There may be circumstances where we, at our sole discretion, cease quoting CFDs or Equities, restrict new Transactions, or limit order execution, including but not limited to the following situations:

- Lack of market data or trading volume in the underlying asset.
- Market halts or suspensions due to regulatory interventions or corporate actions.
- Extreme market volatility or illiquidity, causing erratic price movements or wide bid-ask spreads.
- Technical disruptions, communication failures, or trading platform outages.
- Political, economic, or governmental events that impact the stability of financial markets.
- Acts of God or Nature, including natural disasters or other unforeseen events.
- Internal risk management considerations, such as excessive exposure to a particular asset or trading conditions that do not align with our risk tolerance.

In highly illiquid markets, orders may be executed at prices significantly different from the intended level, or Transactions may fail to execute entirely. You should be aware that stop-loss orders are not guaranteed to be executed at the specified price in conditions of low liquidity or fast-moving markets.

You should take liquidity risk into account when placing Orders, particularly for assets with lower trading volumes, and implement appropriate risk management strategies to protect your positions.

### 3.9. System and Technical Risks

Trading in the products we offer involves the use of electronic systems and platforms, which are subject to potential failures, **technical errors, outages, connectivity issues, and cyberattacks**. In the event of system disruptions, orders may be delayed, executed at different prices, or even fail to execute entirely.

### 3.10. Segregated Accounts

In compliance with CySEC regulations, all client funds are held in segregated bank accounts, separate from the Company's own funds. This ensures that client funds are protected and cannot be used for the Company's own operational purposes.

We carefully select our banking partners based on their financial stability, creditworthiness, and regulatory compliance, using major international banks to safeguard client funds. However, while we conduct regular monitoring to assess the robustness of these institutions, this does not eliminate all risks associated with holding funds at a financial institution.



Clients may request details of the banks we use for holding segregated funds at any time. It is important to note that segregated accounts reduce risk but do not provide absolute protection against systemic banking failures or insolvencies.

### 3.11. No Guarantees

Past performance is **not** a reliable indicator of future results. No investment is guaranteed to generate profits, and investors should be prepared for potential losses.

### 3.12. Uninvested Funds

Funds that are not actively invested remain in your Account and may be subject to various risks and limitations:

- **No Investment Returns:** Uninvested cash earns no potential return, leading to opportunity costs compared to invested capital.
- **Inflationary Erosion:** Over time, inflation may reduce the purchasing power of idle funds.

To optimize capital efficiency, you should consider whether keeping large amounts of uninvested funds in your Account aligns with your investment objectives.

## 4. Risk Warnings Related to CFDs

### 4.1. General Risks

CFDs are complex financial instruments traded on Margin, allowing traders to speculate on the price movements of shares, indices, and other assets without owning the underlying asset. While CFDs provide opportunities for potential gains, they also carry significant risks that may not be suitable for all investors.

CFD trading is based on price movements of Underlying Instruments, meaning you are exposed to risks similar to but magnified compared to directly holding the underlying assets. Prices may fluctuate, and because of leverage, CFD trading carries a **higher degree of risk than traditional stock trading**.

Additionally, CFD trading on our platform is not conducted on a regulated exchange or cleared through a central clearinghouse. Instead, your transactions are executed directly with us as the counterparty.

Trading in CFDs may not be suitable for all investors due to its high risk and complex nature. You should consider trading in CFDs only if:

- (a) You have extensive experience in trading highly volatile financial markets.
- (b) You fully understand how CFDs work, including all associated risks and costs.
- (c) You recognize that higher Leverage increases both profit potential and risk exposure.
- (d) You accept that your position may be closed at our discretion, regardless of whether you agree with the decision.
- (e) You have a high-risk tolerance and can financially absorb potential losses.
- (f) You have sufficient time to actively monitor and manage your trades.



**Only trade with money you can afford to lose.** Carefully assess your financial circumstances and risk tolerance before engaging in CFD trading.

In compliance with regulatory requirements, we disclose, on a quarterly basis, the percentage of retail clients who have lost money trading CFDs with us in the past 12 months. This information is available on the Website.

## 4.2. Leverage

Our products offer varying levels of Leverage, which allows you to open larger positions than your initial deposit. Before you begin trading, you will be required to make an initial deposit. Each product has a specific Margin Requirement, which determines the amount of capital you must maintain in your account to keep a position open.

For example, if a product has a 5% Margin Requirement, you can trade a contract value 20 times the size of your deposit. This means that both gains and losses will be magnified accordingly.

Leverage amplifies both potential profits and potential losses. Even small price movements can have a significant impact on your Account Balance. If the market moves against you significantly, you may lose the full amount of funds deposited in your Trading Account.

## 4.3. Margin Requirements

We reserve the right to **adjust Margin Requirements** for any of our products at our sole discretion. This includes increasing Margin Requirements for existing or new Positions to protect both the Company and our clients.

We may modify Margin Requirements for any or all clients without prior notice. If Margin Requirements increase, you may be unable to open new positions or hedge existing ones unless you have sufficient Equity in your account. If your available Margin is insufficient to meet the updated requirements, you may be required to deposit additional funds. Failure to do so may result in the liquidation of some or all of your positions. It is **crucial** that you continuously monitor your positions and ensure your Trading Accounts are sufficiently funded to prevent Margin Calls or forced liquidations.

The initial margin percentages required depend on the underlying asset of the CFD as follows:

- (a) **3.33%** of the notional value of the CFD where the underlying currency pair consists of any two of the following currencies: US Dollar, Euro, Japanese Yen, Pound Sterling, Canadian Dollar or Swiss Franc;
- (b) **5%** of the notional value of the CFD when the underlying index, currency pair or commodity is
  - i. Any of the following equity indices:
    - FTSE 100 (Financial Times Stock Exchange 100)
    - CAC 40 (Cotation Assistée en Continu 40)
    - DAX 30 (Deutsche Börse AG German Stock Index 30)
    - DJIA (Dow Jones Industrial Average)
    - S&P 500 (Standard & Poor's 500)
    - NASDAQ Composite Index



- NASDAQ 100 Index
- Nikkei 225 Index
- ASX 200 (Standard & Poor's / Australian Securities Exchange 200)
- EURO STOXX 50 Index
- ii. A currency pair where at least one currency is not listed in point (a) above; or
- iii. Gold
- (c) **10%** of the notional value for CFDs where the underlying asset is a commodity or any equity index other than those listed in point (b) above;
- (d) **50%** of the notional value for CFDs where the underlying asset is a **cryptocurrency**;
- (e) **20%** of the notional value for CFDs where the underlying asset is a share (stock) or any assets not otherwise listed above.

These margin percentages apply uniformly to all Retail clients.

You should actively manage your Trading Accounts and ensure adequate funds are maintained to avoid disruptions due to Margin Calls or Stop-Outs.

#### 4.4. Position Monitoring

As an investor, you are solely responsible for monitoring your Positions at all times. It is essential to actively oversee your Trading Account to ensure that you remain aware of market movements, Margin Requirements, and potential risks associated with your Open Positions.

We do not take responsibility for monitoring or managing your positions. While we provide tools and notifications to assist you in tracking your trades, ultimate responsibility lies with you as the Account holder.

Failure to monitor your positions may result in unexpected losses, liquidation of positions due to Margin shortfalls, or other financial consequences. Always ensure that you have access to your Trading Account and can respond promptly to market changes.

#### 4.5. Counterparty Risk

When trading CFDs with us, we act as the sole counterparty to all your trades. This means our CFD products are not listed on any exchange and cannot be traded on a public market. The rights, benefits, or obligations associated with your CFD positions cannot be transferred to another party. While we are committed to providing best execution and operating in accordance with our published Terms and Conditions, all CFD positions opened on your account with us must be closed with us, based on our pricing and trading conditions.

CFDs traded with us are not cleared through a central clearinghouse and are not subject to exchange rules or protections that apply to regulated markets. As CFDs are over-the-counter (OTC) products, it is important to understand that your ability to open, close, or manage positions is solely dependent on our pricing and Terms and Conditions.

Since we are the counterparty to your CFD trades, you are exposed to the financial and business risks associated with dealing directly with us, including credit risk. This means that in the unlikely event of our insolvency, we may be unable to meet our obligations to you.



As a regulated investment firm, we are a member of the **Investor Compensation Fund (ICF)**. In the unlikely event of our default, eligible clients may have recourse to this fund. The **maximum compensation** paid to a qualifying client is:

- EUR 20,000, or
- 90% of the client's covered claim, whichever is lower.

This coverage applies **per client**, regardless of the number of accounts held, the currency used, or the place where the service was provided. Further details about the ICF can be found on the CySEC website: [Investor Compensation Fund](#).

## 4.6. No Rights on the Underlying Assets

CFDs allows investors to speculate on the price movements of an **underlying asset** without actually owning it. The profit or loss from a CFD transaction is determined solely by fluctuations in the price of the underlying asset, rather than by physical delivery.

It is important to note that:

- **No Ownership Rights:** Holding a CFD does not grant you ownership of the underlying asset.
- **No Voting or Participation Rights:** You will not have any voting rights, title, or interest in the underlying asset.
- **No Entitlement to Corporate Actions:** CFDs do not entitle or obligate you to acquire, receive, hold, vote, deliver, or dispose of the underlying asset, nor do they allow direct participation in corporate actions (e.g., dividends, rights issues, or shareholder meetings).

CFDs are purely speculative instruments, and all Transactions are settled in cash based on price movements rather than asset ownership.

## 4.7. Negative Balance Protection in CFD Accounts

All Retail clients trading CFDs are covered by Negative Balance Protection which ensures that they can never lose more than the total funds deposited in their CFD Trading Account.

This protection is designed as a safeguard in cases where extreme market volatility prevents the margin close-out rule from working effectively. It ensures that:

- The maximum loss a retail client can incur is limited to the total funds deposited in their CFD trading account.
- No residual losses can occur, meaning clients will never owe more than their initial investment in CFDs.
- In cases of extreme market volatility where the margin close-out rule does not function effectively, this protection acts as a backstop to prevent a negative account balance.
- No additional funds will ever be required beyond the balance available in the client's CFD trading account.



The Negative Balance Protection does not apply to Professional clients. Professional clients should be aware that they may be required to deposit additional funds if their account balance becomes negative due to adverse market movements.

## 4.8. Corporate Actions

In the event of a Corporate Action affecting the underlying asset of a CFD (e.g., stock splits, spin-offs, rights offerings, mergers, acquisitions, etc.), the following may apply:

- **Adjustments or Modifications** – We may, at our sole discretion, determine and implement an appropriate adjustment, modification, or other action, if any, to ensure that the economic equivalent of the CFD's rights and obligations is maintained.
- **Position Closure** – As an alternative or in addition to making adjustments, we reserve the right, at our sole discretion, to close out your open CFD position in the affected underlying asset before the Corporate Action takes effect.

These measures are taken to ensure fair treatment and to account for structural changes in the Underlying Asset that may impact your CFD positions.

## 5. Additional Risk Warnings Related to CFDs on Cryptocurrencies

### 5.1. Risk of stolen e-Wallet

The Company does not provide the ability to purchase, transfer, or exchange actual cryptocurrencies. Instead, clients can only trade cryptocurrency CFDs, which allow speculation on price movements without ownership of the underlying digital asset.

Since cryptocurrency CFDs do not involve direct ownership, there is no need for an electronic wallet (e-wallet) to store cryptocurrencies. As a result, clients are not exposed to risks associated with e-wallet security breaches, hacking incidents, or stolen digital assets.

Unlike traditional cryptocurrency holders, who face threats such as private key theft, exchange hacks, or fraudulent transactions, clients trading cryptocurrency CFDs are not responsible for digital asset storage. However, clients should still take appropriate measures to secure their trading accounts, such as enabling strong passwords, and safeguarding login credentials.

### 5.2. Risk of Sudden Movements Fluctuation

Cryptocurrency markets are known for their extreme price volatility, with rapid and unpredictable fluctuations. Price movements can be sudden and sharp, leading to significant gains or losses within short timeframes.

### 5.3. Market Uncertainty and Speculative Nature

Cryptocurrencies are highly speculative assets, and their prices are primarily driven by market sentiment, speculative trading, and external events. Unlike traditional financial instruments, which derive their value from underlying economic factors such as corporate earnings or government policies, cryptocurrencies



are often influenced by investor speculation, media hype, social trends, and online forums. As a result, their prices can experience rapid and extreme swings, sometimes without clear fundamental reasoning.

Another major factor contributing to cryptocurrency uncertainty is regulatory developments. Governments and financial authorities worldwide are continuously adjusting their stance on cryptocurrencies, with some jurisdictions imposing restrictions, bans, or taxation policies that can significantly impact market stability. Even the mere announcement of regulatory changes can trigger sharp price movements, either positively or negatively.

Additionally, cryptocurrency markets operate 24/7, unlike traditional financial markets, which have structured trading hours. This continuous trading environment, combined with low liquidity during off-peak hours, can lead to increased price volatility and unexpected market gaps when trading platforms reopen. Given these factors, investors should be aware that CFD trading in cryptocurrencies is inherently unpredictable and carries a high risk of loss.

## 5.4. Regulatory and Legal Risks

Cryptocurrency regulations vary by jurisdiction and are subject to frequent changes. Regulatory actions, bans, or restrictions may impact the availability, pricing, and legality of cryptocurrency trading. This could lead to market instability or the suspension of trading activities.

## 5.5. Technology and Cybersecurity Risks

Cryptocurrencies rely on digital infrastructure, making them susceptible to:

- Cybersecurity threats, hacking, or system failures that may impact liquidity or pricing.
- Technical disruptions, exchange outages, or network congestion that can delay transactions and prevent trade execution.

## 5.6. Anonymity

Since the Company only permits trading in cryptocurrencies via CFDs, the risks associated with anonymous cryptocurrency ownership and Transactions do not apply in this context.

# 6. Risk Warnings Related to Shares (Equities)

## 6.1. General Risks

Investing in shares inherently involves exposure to various risks that can affect the value of your investments. These include market risk, where broader economic factors or geopolitical events can lead to declines in stock prices. Additionally, company-specific risks such as poor management decisions, competitive pressures, or regulatory changes can adversely impact a company's performance and, consequently, its stock value. It's essential to recognize that past performance is not indicative of future results, and there is always the potential for loss when investing in equities.

## 6.2. OTC and Principal Execution Risk



In certain Equity transactions, the Company may act as Principal and become the direct counterparty to the Client transaction. In such cases, the transaction may initially be executed on an over-the-counter (OTC) basis rather than immediately on a regulated market, multilateral trading facility (MTF), or organised trading facility (OTF).

While this execution model is designed to facilitate efficient execution and liquidity management, Clients should be aware that:

- execution may occur outside a regulated trading venue;
- prices available on regulated markets may differ from OTC execution prices;
- market conditions and liquidity may change between the time of Client execution and the Company's corresponding market transaction;
- and execution during extended-hours or lower-liquidity periods may involve wider spreads and increased price volatility.

Notwithstanding the above, settlement arrangements and Client obligations remain unaffected.

### 6.3. Dividend Payments not Guaranteed

Dividends are distributions of a company's profits to shareholders, typically paid quarterly or semi-annually, as determined by the company's Board of Directors. While established and profitable companies often have a history of providing regular dividend payments, there is no guarantee that dividends will be paid consistently. Economic downturns or financial difficulties may lead even the most reliable companies to reduce, suspend, or eliminate dividends altogether.

Younger or less established companies, known as "growth" companies, often choose to reinvest profits into expanding their business rather than distributing them as dividends. Additionally, external factors such as regulatory changes, market conditions, or geopolitical events can impact a company's ability to maintain dividend payments.

You should recognize that dividends are not fixed or guaranteed, unlike interest payments on bonds, and a reduction or suspension of dividends can negatively affect the share price. Therefore, it is crucial for investors to consider a company's financial health, historical dividend practices, and overall market conditions before relying on dividend income as part of their investment strategy.

### 6.4. Market Gapping

Market gapping refers to situations where there is a significant difference between the closing price of a stock and its opening price on the next trading day. This can occur due to after-hours news, earnings reports, or other impactful events. Gapping can lead to substantial losses, especially if stop-loss orders are executed at unfavorable prices, highlighting the importance of monitoring your investments and understanding the potential for sudden price movements.

### 6.5. Non-readily Realisable Investments



Some shares may be classified as non-readily realisable investments, meaning they cannot be easily sold or exchanged for cash without a significant impact on their price. These investments often lack a liquid market, making it challenging to find buyers. Holding such assets can pose risks, particularly if you need to liquidate your position quickly, as you may have to accept a lower price than anticipated.

## 6.6. Price Volatility

Price volatility refers to the degree of variation in a stock's price over time. High volatility means that a stock's price can change dramatically in a short period, which can lead to significant gains or losses. Factors contributing to volatility include market sentiment, economic data releases, and company-specific news. Investors should be prepared for price fluctuations and consider their risk tolerance when investing in volatile stocks.

## 6.7. Leverage and Negative Balance Risk

Leverage involves using borrowed funds to increase the potential return on investment. While leverage can amplify gains, it also magnifies losses. In the context of equity investments, purchasing on margin is a common form of leverage.

If the value of the leveraged investment declines, you may be required to deposit additional funds to maintain your positions or satisfy margin requirements. In extreme market conditions, losses may exceed your initial investment and may result in a negative account balance, which you will remain liable to repay to the Company.

## 6.8. Penny Shares

Penny shares are low-priced, small-cap stocks that often trade OTC rather than on major exchanges. These shares are typically characterized by low liquidity, high volatility, and limited publicly available information. Investing in penny shares carries a higher risk of loss due to the potential for price manipulation and the lack of regulatory oversight. It may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed.

## 6.9. Settlement

Settlement risk arises from the possibility that one party in a transaction may fail to meet their obligations, leading to a loss. In equity markets, standard settlement periods (e.g., T+1, meaning one business day after the trade date) are in place, but delays or failures can occur due to technical issues, counterparty insolvency, or other factors. Such failures can affect your ability to access funds or Securities in a timely manner.

## 6.10. SIPC Protection and Limitations

As we partner with U.S. execution venues, certain Equity investments may indirectly benefit from protections provided through U.S. broker-dealer arrangements under the Securities Investor Protection



Corporation (SIPC) scheme. SIPC provides limited protection to eligible clients in the event that a U.S. broker-dealer fails or becomes insolvent.

Under SIPC coverage, clients may be compensated for up to \$500,000 per account. However, SIPC protection does not cover market losses or declines in the value of securities due to price fluctuations. It is strictly designed to protect clients if a broker-dealer is unable to return their securities due to insolvency.

It is important to note that **not all financial instruments are covered under the SIPC scheme**, and certain investments may be excluded (e.g. Futures, Options).

While SIPC provides an additional safeguard against broker-dealer failure, it does not eliminate the risks associated with stock market investments, counterparty exposure, or price volatility. You should always assess your investment risks, and consider diversification strategies to mitigate potential counterparty risks.

## 6.11. Investment Transfers

Transferring investments between accounts or brokers can involve risks such as administrative errors, delays, or changes in investment value during the transfer process. Additionally, not all Securities may be transferable, and some may incur fees. It's important to understand the terms and potential risks associated with transferring investments to ensure a smooth process.

## 6.12. Short Selling

Short selling involves selling securities that you do not currently own, with the intention of repurchasing them at a lower price in the future. This strategy carries significant risk, as potential losses are theoretically unlimited if the stock's price increases instead of decreases. Additionally, short sellers are subject to Margin Requirements and may be forced to cover their positions at unfavorable prices if the market moves against them.

In certain circumstances, the availability of securities required to maintain a short position may become limited or unavailable at short notice. This may result in increased borrowing costs (where applicable), restrictions on opening or maintaining short positions, or the forced closure of existing short positions, potentially at unfavorable prices and with limited prior notice.

## 7. Risk Warnings Related to Options (Equities)

### 7.1. Potential for Loss

Options trading carries the risk of losing the entire amount invested, especially when purchasing options. If the option expires out of the money, it becomes worthless, and the trader loses the entire premium paid. Unlike traditional stock investments, where partial value can be retained even after a decline, options can expire with zero value.

For option writers (sellers), the risks can be even greater. Writing uncovered (naked) call options exposes the trader to unlimited potential losses since there is no cap on how high a stock price can rise. Similarly,



writing uncovered put options can result in significant losses if the stock price falls dramatically. If market movements go against the option seller, they may be required to cover losses that exceed their initial margin deposit.

## 7.2. Time Decay (Theta Risk)

Options are time-sensitive instruments, meaning that their value declines as expiration approaches. This phenomenon, known as time decay (Theta risk), affects out-of-the-money (OTM) options the most, as they rely purely on the probability of the underlying stock reaching a profitable strike price.

Even if the underlying asset's price remains stable, the value of an option will decrease daily. As expiration nears, this time decay accelerates, making it more challenging for an option holder to profit unless the Underlying Asset moves significantly in the expected direction. For investors, this means they must be strategic with entry and exit timing, ensuring that expected price movements happen before significant time decay erodes potential profits.

## 7.3. Price Volatility (Vega Risk)

Options prices are heavily influenced by market volatility. Sudden and extreme price swings can significantly alter the value of options contracts.

- Higher volatility can increase the price of options, as greater uncertainty raises the probability of the underlying asset moving into a profitable range before expiration.
- Lower volatility can decrease option prices, reducing premiums and making existing contracts less valuable.

For investors, price volatility can make options trading highly unpredictable, leading to significant gains but also sharp losses if market conditions change unexpectedly.

## 7.4. Costs and Commissions

Options trading typically involves higher costs compared to other investment vehicles. Unlike stocks, which can be traded with relatively low commission structures, options involve:

- Premium costs, which can be high for certain contracts (especially those with high volatility).
- Multiple contracts per strategy, such as spreads and straddles, leading to increased transaction costs.
- Brokerage fees and commissions, which can accumulate, particularly for active traders.

These additional costs can erode profits, making it essential for investors to consider both potential returns and the associated expenses when executing option strategies.

## 7.5. Settlement and Exercise Risk

Options investors must be aware of Settlement and exercise risk, which occurs when an option is exercised or expires, impacting account balances and open positions. American-style options can be exercised at any time before expiration, potentially leading to unexpected assignment for option writers.



If an option is exercised unexpectedly, traders may face unplanned purchases or sales of the underlying asset. Understanding how options contracts are settled (physical delivery vs. cash settlement) is critical for managing this risk.

## 7.6. Assignment Risk

As an option writer, you may be assigned at any time during the option's life, obligating you to fulfill the contract terms. Unexpected assignments can lead to unplanned purchases or sales of the underlying asset, potentially resulting in significant losses, especially if the market has moved adversely.

## 8. Final Considerations

You should carefully assess your risk tolerance, trading experience, and financial situation before engaging in CFDs or Equities trading. Consider the following risk management strategies:

- ✓ **Fully understand the risks** associated with leveraged products, liquidity constraints, and market fluctuations.
- ✓ **Implement risk management strategies**, including stop-loss orders, diversification and appropriate position sizing to limit potential losses.
- ✓ **Avoid over-leveraging**—only trade with capital you can afford to lose.
- ✓ **Monitor market conditions** regularly and adjust your positions accordingly.
- ✓ **Understand margin requirements and financing costs** before entering trades.
- ✓ **Seek independent advice** if uncertain about the risks involved in trading specific Financial Instruments.

If you are unsure about any aspect of CFD or equity trading, seek independent financial advice before making investment decisions.

