

StoneX Europe Ltd

Risk Disclosure Notice

v.04.21

1. Introduction

StoneX Europe Ltd (hereafter 'SEL' or the 'Company' or 'us' or 'we'), is a Cyprus Investment Firm (CIF) company registered to the Department of Registrar of Companies and Official Receiver with a Registration Number HE409708, and authorized and regulated by the Cyprus Securities & Exchange Commission (CySEC).

This notice is provided to you, in accordance with the CySEC's Law 87(I)/2017 and all other relevant CySEC's Circulars and Directives, because you are considering dealing with us in financial instruments and investment contracts relating to various financial markets. Unless separately defined in this notice, words and expressions shall have the meanings given to them in the General Terms.

Prospective Clients should study the following risk warnings very carefully. Please note that we do not disclose or explain all the risks and other significant aspects involved when dealing in Financial Contracts for Difference ('the CFDs').

The Company provided a non-exhaustive of the general nature of the risks involved when dealing in Financial Instruments on a fair and non-misleading basis. You should read this notice in conjunction with the Supplemental Terms which provide a general description of the nature of each specific type of Products we offer, how they work, and which set out the terms and conditions under which we make these Products available to you.

This notice is designed to explain in general terms the nature of the risks particular to our Products and the trading CFDs. The Company provide this warning to help you to take investment decisions on an informed basis. However, please note that each trade will carry its own unique risks which cannot be explained in a general note of this nature.

For a better understanding of the risks associated with the financial products offered by the Company, you should among other sources, review and understand the Key Information Document (KID) for each type of product as found on the Company's website.

The Company executes orders in relation to one or more financial instruments mainly in CFDs with various underlying assets. The Company acts as principal or riskless principal whereby it will be the sole Execution Venue for the execution of the Clients' orders for CFDs. The Company acts as principal when executing orders.

CFDs carry a higher risk of loss than trading many traditional instruments, such as shares in many large companies or fixed income securities such as bonds issued by governments or large companies.

CFDs are complex Instruments and come with a high risk of losing money due to leverage. The vast majority of retail Investors accounts lose money when trading CFDs. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

For many members of the public trading in our Products is not suitable. It is very important that you should not engage in trading in our Products unless you know, understand and are able to manage the features and risks associated with such trading and are also satisfied that trading in our Products is suitable for you in light of your circumstances and financial resources.

Unless a Client knows and fully understands the risks involved in Financial Instruments, they should not engage in any trading activity. Clients should not risk more than they are prepared to lose. If a Client is unclear or does not understand the risks involved in trading in Financial Instruments, they should consult an independent financial advisor. If after seeing the advisor, they still don't understand these risks, then they should refrain from trading.

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. Clients will be held liable for losses and damages, which could result in the loss of all of the Clients' invested capital, once they make the decision to trade.

2. Risks of Products and Associated Risks in Relations to Financial Contracts for Difference

SEL is offering Contracts for Differences ('CFDs') and margined FX products. CFDs are complex derivative products whose price is dependent or derived from the price of another underlying instrument. These are Over-The-Counter (OTC) products, that allows an investor to obtain an exposure to the price movements of the underlying financial instrument, without the need to physically own the underlying asset. SEL is the sole execution venue for its clients' orders and hence the Counterparty to all clients' orders.

In considering whether to engage in trading our Products, you should be aware of the following risks:

1. Commission/Charges and Taxes

- 1.1. Prior trading you should be aware of the commission and charges and any other charges related to CFD and the underlying instruments. If any charges are not expressed in monetary terms (but, for example, as a percentage of contract value), the Client should ensure that he understands what such charges are likely to amount to. The Company may change its charges at any time, according to the provisions of the Client Agreement found on the Company's website.
- 1.2. There is a risk that the Client's trades in any Financial Instruments they trade may be or may become subject to tax and/or any other duty, for example because of

changes in legislation or his personal circumstances. The Company does not warrant that no tax and/or any other stamp duty will be payable. The Company does not offer tax advice and recommends that the Client seek advice from a competent tax professional if the Client has any questions.

- 1.3. The Client is responsible for any taxes and/or any other duty which may accrue in respect of his trades.

2. Technical Risks

- 2.1. The Company places significant importance on the execution of the Clients' orders and at all times, strives to offer the highest speed of execution possible, within the limitations of technology and communications links.
- 2.2. The Client shall be responsible for the risks of financial losses caused by the failure of information, communication, electronic or any other systems. The Client is responsible for the security of his Access Data.
- 2.3. If the Client undertakes transactions on an electronic system (Trading Platforms), he will be exposed to risks associated with the system, including the failure of hardware and software (Internet/Servers). For example, there may be a delay on the Company's platform when receiving an order, and this may affect the price of execution. Consequently, the result of any system failure may be that the order is either- not executed according to the Client's instructions - or it is not executed at all. The Company does not accept any liability in the case of such a failure.
- 2.4. The Client acknowledges that the internet may be subject to events which may affect his access to the Company's Website and/or the Company's trading Platform(s)/system(s), including but not limited to interruptions or transmission blackouts, software and hardware failure, internet disconnection, public electricity network failures or hacker attacks. The Company is not responsible for any damages or losses resulting from such events which are beyond its control or for any other losses, costs, liabilities, or expenses (including, without limitation, loss of profit) which may result from the Client's inability to access the Company's Website and/or Trading System or delay or failure in sending orders or Transactions.

3. Communication Between the Client and the Company

- 3.1. The Client shall accept the risk of any financial losses caused by the fact that the Client has received notice from the Company with delay or has not received any at all.
- 3.2. The Client acknowledges that the unencrypted information transmitted by e-mail is not protected from any unauthorized access.
- 3.3. The Company has no responsibility if unauthorized third persons access to information have, including electronic addresses, electronic communication, personal data, and access data when the above are transmitted between the Company and the

Client or when using the internet or other network communication facilities, telephone, or any other electronic means.

3.4. The Client is fully responsible for the risks in respect of undelivered Company Online Trading System internal mail messages sent to the Client by the Company.

4. Force Majeure Events

4.1. In case of a Force Majeure Event the Company may not be in a position to arrange for the execution of Client Orders or fulfill its obligations under the agreement with the Client. As a result, the Client may suffer financial loss.

4.2. The Company will not be liable or have any responsibility for any type of loss or damage arising out of any failure, interruption, or delay in performing its obligations under this Agreement where such failure, interruption or delay is due to a Force Majeure event.

5. Client Money and Counterparty Risk 5.1. SEL keeps clients' funds in segregated accounts in credit institutions within or outside the EEA. Retail Clients' funds are always segregated from the Company's own funds and no Title Transfer Collateral Arrangement (TTCA) is allowed for retail clients.

5.2. It is understood that the Company will promptly place any Client money it receives into one or more segregated account(s) (denoted as 'clients' accounts') with reliable financial institutions (within or outside Cyprus or the EEA) such as a credit institution or a bank in a third country.

The Company shall exercise due skill, care, and diligence in the selection of the financial institution according to Applicable Regulations. It is understood that there are circumstances beyond the control of the Company and hence the Company does not accept any liability or responsibility for any resulting losses to the Client as a result of the insolvency or any other analogous proceedings or failure of the financial institution where Client money will be held.

For more information please refer to the Company's Safekeeping Policy indicated in our website.

5.3. We operate a margin close out policy which closes out Open Positions where the client Margin Level reaches or falls below the Margin Close Out Level. This policy significantly reduces the likelihood of losses arising from client default that would result in our insolvency.

5.4. SEL's retail clients are entitled to compensation from the Investor Compensation Fund (ICF) Scheme in the Republic of Cyprus, in the unlikely event of the Company's insolvency. SEL is a member of the ICF with a membership number. We publish the ICF Policy on the Company's website.

6. Cryptocurrency Trading:

- 6.1. Cryptocurrency CFDs are complex, extremely risky and usually highly speculative. Trading in Cryptocurrency CFDs involves a high risk of loss of funds over a short period of time due to high market volatility, execution issues and industry-specific disruptive events, including, but not limited to, discontinuation, regulatory bans and other malicious actors within cryptocurrency ecosystems.
- 6.2. The pricing of Cryptocurrency CFDs might be derived from specific cryptocurrency exchanges, which means that the market depth is limited to what is available in the order books of such exchanges. These markets are relatively new and thus might be volatile and limited in terms of liquidity. The pricing engines of cryptocurrency exchanges may experience delays and/or interruptions which can be caused by numerous potential issues.
- 6.3. Cryptocurrency CFD trading is not appropriate for all investors and therefore, any person wishing to trade in Cryptocurrency CFDs should have detailed and updated knowledge and expertise in these specific products. Clients should always be fully aware and understand the specific characteristics and risks related to these products as laid down in this section.

7. Leverage:

- 7.1. A high degree of 'gearing' or 'leverage' is associated with trading these Products. This stems from the margining system applicable to our Products which generally involves comparatively modest funds of the overall contract value to open a Trade. This can work for you and against you. A small price movement in your favor can result in a high return on the money placed in the Account; however, a small price movement against you may result in substantial losses and you may lose, the money placed in the Account.
- 7.2. Prices can move quickly particularly at times of high market volatility and, if these price movements are unfavorable to your Trade(s), you could quickly build up significant losses. If you do not maintain enough funds in your Account to satisfy your Margin Requirements, we may close any or all of your Open Positions (in some circumstances without warning). Unless you have been classified as a Professional Client or an Eligible Counterparty, if the Margin Level for your Account reaches or falls below the Margin Close Out level, to the extent required under applicable laws and regulations we will close any or all of your Open Positions that are not Established Positions (in some circumstances without warning). This measure is designed to help limit the extent of your trading Losses. Your Open Positions may be closed at a loss for which you will be liable in accordance with the terms of this Agreement.

- ## 8. Risk-Reducing Orders or Strategies
- 8.1. The placing of certain Orders (e.g. 'Stop Loss' orders, where permitted under local law, or 'Stop Limit' Orders), which are intended to

limit losses to certain amounts, may not be adequate given that market conditions make it impossible to execute such Orders, e.g. due to illiquidity in the market.

9. Nature of Margined Trades

- 9.1. A Trade in one of our Markets is a Trade based on movements in Our Price.
- 9.2. It is noted that the Company's prices in relation to CFD trading are set by the Company and may be different from prices reported elsewhere. The Company's trading prices are the ones at which the Company is willing to sell CFDs to its Clients at the point of sale. As such, the price that the Client receives when he opens or closes a position may not directly correspond to real-time market levels at the point in time at which the sale of the CFD occurs or reflect the prices of thirdparty brokers/providers.
- 9.3. Our Price for a Market is set by us but relates to the price of the relevant Underlying Instrument. Whether you make a profit or loss will depend on the prices we set and fluctuations in the Underlying Instrument to which your Trade relates. Trades in our Products can only be settled in cash. Trades in our Products are legally enforceable. You must ensure that you understand the potential consequences of a Product or Trade and be prepared to accept that degree of risk. You will not acquire the Underlying Instrument nor any rights or delivery obligations in relation to the Underlying Instrument.

10. Volatility

- 10.1. The Client acknowledges that under Abnormal Market Conditions, the period during which the Orders are executed may be extended, or it may be impossible for Orders to be executed at the declared prices or to be executed at all.
- 10.2. Abnormal Market Conditions include but are not limited to times of rapid price fluctuations, rises or falls in one trading session to such an extent that, under the rules of the relevant exchange, trading is suspended or restricted, or there is lack of liquidity, or this may occur at the opening of trading sessions.
- 10.3. As mentioned above, whether you make a profit, or a loss will depend on the prices we set and fluctuations in the price of the Underlying Instrument to which your Trade relates. Neither you nor we will have any control over price movements in the Underlying Instrument. Price movements in the Underlying Instrument can be volatile and unpredictable.
- 10.4. A feature of volatile markets is 'Gapping', the situation where there is a significant change to Our Price between consecutive quotes.

Gapping may occur in fast and falling markets or if price sensitive information is released prior to Market opening. The price at which we execute your Orders may be adversely affected if Gapping occurs in the relevant Market. Guaranteed Stop

Loss Orders will always be executed at your specified Order price, but all other types of Orders will be executed when Our Price meets or exceeds your specified Order price. If Gapping occurs, the price at which your Order is executed may significantly exceed your specified Order price.

- 10.5. At this point it is significant to refer to Slippage which usually happens during periods of high volatility - This is when a trader has executed an order at a price which is different to the price, they expected the trade to be executed at. There are two kinds of slippage, positive and negative.

Positive slippage occurs when the price is executed at a better level than the one requested; a negative slippage is exactly the opposite situation; therefore, the Client should consider the possible risks and/or hazardous situation that they might be placed in. Slippage can occur in all account and order types offered, and under all execution methods.

11. Foreign Currency

- 11.1. When a Financial Instrument is traded in a currency other than the currency of the Client's country of residence, any changes in the exchange rates may have a negative effect on its value, price and performance, and may lead to losses for the Client.

12. Liquidity

- 12.1. A decrease in liquidity (a term which describes the availability of buyers and sellers who are prepared to deal in an Underlying Market) may adversely impact Our Price and our ability to quote and trade in a Market.
- 12.2. If there is a significant reduction or a temporary or permanent cessation in liquidity in an Underlying Instrument, such events may be deemed an Event Outside of Our Control or Market Disruption Event (as applicable) and we may increase Our Price, suspend trading or take any other action we consider reasonable in the circumstances. As a result, you may not be able to place Trades or to close Open Positions in any affected Market.

13. Dealing Off-Exchange

- 13.1. CFDs offered by the Company are off-exchange transactions.
- 13.2. The trading conditions are set by us (in line with the trading conditions received by our liquidity providers), subject to any obligations we have to provide best execution, to act reasonably and in accordance with our Client Agreement and with Order Execution Policy.
- 13.3. Each CFD order that the Client opens through our Trading Platforms results in the entering of an Order with the Company; such Orders can only be closed with the Company and are not transferable to any other person. 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.

- 13.4. Regarding transactions in CFDs, the Company is using an Online Trading Systems 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.

14. Contingent Liability Transactions

- 14.1. Contingent liability investment transactions, which are margined, require the Client 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 Financial Instrument. Margin requirements can be fixed or calculated from the current price of the underlying instrument and can be found on the website of the Company.
- 14.2. If the Client trades in futures or Contracts for Differences, it may sustain a total loss of the funds he has deposited to open and maintain a position. If the market moves against the Client, he may be called upon to pay substantial additional funds at short notice to maintain the position. If the Client fails to do so within the time required, his/her position may be liquidated at a loss and he will be responsible for the resulting deficit.
- 14.3. 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 the Client entered the contract.
- 14.4. Contingent liability investment transactions which are not traded on or under the rules of a recognized or designated investment exchange may expose the Client to substantially greater risks.

15. Collateral (Professional and Eligible Counterparties)

- 15.1. When Clients enter into the Collateral Agreement with the Company, it is agreed to take security over the assets in the Account in place of cash for payment of margin on their linked CFD Account.
- 15.2. The value of CFDs will rise and fall. If the collateral value of the assets in Clients Account, together with any cash on Client's linked CFD Account, falls below the amount required to maintain the open positions, 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.
- 15.3. As the value of the assets in the Clients Account fluctuates the value of the collateral that the Client can utilize as margin will also fluctuate. The Client will need to monitor his/her CFD Account to ensure that the collateral value and any cash

he/she has deposited on his/her linked CFD Account is sufficient to fund his/her open positions on that account.

- 15.4. The Client will only be able to use his/her collateral services to cover margin requirements on open positions on his/her linked CFD Account and he/she will need to cover any running losses using the available cash in his/her linked CFD Account.

16. Suspension of Trading

16.1. 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 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.

16.2. The Company's price for a given CFD is calculated by reference to the price of the relevant underlying asset, which the Company obtains from third party external reference sources. If the price reaches an order such as: Stop Loss, Take Profit, Buy Limit, Buy Stop, Sell Limit, Sell Stop - these orders will be closed. But under certain trading conditions it may be impossible to execute orders (Stop Loss, Take Profit, Buy Limit, Buy Stop, Sell Limit, Sell Stop) at the declared Clients' price.

Therefore, these orders may not always limit Client losses in the event of highly volatile trading conditions, for example, in an underlying asset or reference price. In this case the Company has the right to execute the order at the first available price. This may occur, as already stated, 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. This may also occur at the opening of a trading session. The minimum level for placing Stop Loss, Take Profit, Buy Limit, Buy Stop, Sell Limit and Sell Stop orders, for a given CFD, is specified under Contract Specifications in the Company's trading platforms. The Company does not however guarantee that its' quoted prices will be at a price which is as good, or better, than one might have been available elsewhere.

17. No-Delivery

17.1. It is understood that the Client has no rights or obligations in respect to the Underlying Assets relating to the CFDs he is trading. There is no delivery of the underlying asset.

18. Performance Calculation

18.1. 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 his/her initial investment. Past performance is not an indication of future performance.

19. Conflicts of Interest

19.1. The Company takes all reasonable steps to identify and prevent or manage the conflicts of interest arising in relation to its business line and its group activities under a comprehensive Conflict of Interest Policy.