

XTRADE

ONLINE CFD TRADING

RISK DISCLOSURE AND WARNINGS NOTICE

1. Introduction

1.1. This risk disclosure and warning notice is provided to you (our Client and prospective Client) in compliance to the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and Other Related Matters Law 144(I)/2007-2014 ("the Law") and any subsequent amendments, which is applicable to Xtrade Europe Ltd (ex. XFR Financial Ltd.) ("the Company").

1.2. All Clients and prospective Clients should read carefully the following risk disclosure and warnings contained in this document, before applying to the Company for a trading account and before they begin to trade with the Company. However, it is noted that this document cannot and does not disclose or explain all of the possible risks and other significant aspects involved in dealing in Contracts for Difference ("CFDs"), and as such the Client needs to ensure that his decision is made on an informed basis. The notice was designed to explain in general terms the nature of the risks involved when dealing in CFDs on a fair and non-misleading basis.

2. Charges and Taxes

2.1. The Provision of Services by the Company to the Client is subject to fees, which are available on the Company's website. Before the Client begins to trade, he should obtain details and be informed of all fees, commissions and charges for which the Client will be liable. It is the Client's responsibility to check and be updated for any changes in the charges.

2.2. The Client should ensure that he understands the true monetary value of the charges for any charges that are not expressed in monetary terms (e.g. as a percentage of contract value, dealing spread, etc.).

2.3. The Company may amend the applicable charges at any time and without prior notice to the Clients.

2.4. There is a possibility that a trade in any CFD by a Client be or become subject to tax and/or any other duty, depending on the tax legislation/regime applicable to each Client. The Company does not offer tax advice and does not warrant that no tax and/or any other stamp duty will be payable.

2.5. The Client is responsible for any taxes and/or any other duty which may accrue regarding his trading activity, and should seek independent advice if necessary.

2.6. It is noted that taxes are subject to change and without notice, based upon the relevant tax legislations applicable in Cyprus and/or the Client's country of residence for tax purposes.

2.7. 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 which the Company is willing to sell CFDs to its Clients at the point of sale. As such, they may not directly correspond to real time market levels at the point in time at which the sale of CFD occurs.

3. Third Party Risks

3.1. The Company may transfer money received from the Client to a third party (e.g. an intermediate broker, a bank, a market, a settlement agent, a clearing house or over-the-counter ("OTC") counterparty located outside Cyprus) to hold or control, in order to effect a Transaction through, or, with that third party, or to provide the necessary 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 transfer money received from the Client.

3.2. The legal and regulatory regime applying to any such third party will be different from that of Cyprus and in the event of the insolvency or any other equivalent failure of that third party, the Client's money may be treated differently from the treatment which would apply if the money was held in a Segregated Account in Cyprus. The Company will not be liable for the solvency, acts or omissions of any third party referred to in this clause.

3.3. The third party may hold money transferred by the Company 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.

3.4. 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.

3.5. A Bank or Broker through whom the Company deals with could have interests contrary to the Client's Interests.

4. Insolvency

4.1. The Company's insolvency or default, may lead to positions being liquidated or closed out without the Client's consent.

4.2. In certain circumstances, the Client may not be able to get back the actual assets he has registered as collateral and may have to accept any available payments in cash or by any other method which is deemed to be appropriate.

5. Investors Compensation Fund

5.1. The Company participates in the Investors Compensation Fund for clients of Investment Firms regulated in the Republic of Cyprus. Certain clients will be entitled to compensation under the Investors Compensation Fund where the Company fails. Compensation shall not exceed twenty thousand Euro (EUR 20.000) for each entitled Client. For more details please refer to the "Investors Compensation Fund" which can be found on our website.

6. Technical Risks

6.1. The Client and not the Company shall be responsible for the risks of financial losses caused by failure, malfunction, interruption, disconnection or malicious actions of information, communication, electricity, electronic or other systems.

6.2. Transactions on an electronic system are exposed to risks associated with the system, including the failure of hardware, software, servers, communication lines and internet failure. The result of any such 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.

6.3. At times of excessive deal flow the Client may have some difficulties to be connected over the phone or the Company's Platform(s)/system(s), especially in fast Market (for example, when key macroeconomic indicators are released).

6.4. 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.

6.5. In connection with the use of computer equipment and data and voice communication networks, the Client bears the following risks amongst others, in which cases the Company has no liability of any resulting loss caused by:

- (a) Power cut of the equipment on the side of the Client or the provider, or communication operator (including voice communication) that serves the Client;
- (b) Physical damage (or destruction) of the communication channels used to link the Client and provider (communication operator), and the trading or information server of the Client;
- (c) Outage (unacceptably low quality) of communication via the channels used by the Client, the Company, the provider, or the communication operator (including voice communication);
- (d) Wrong or inconsistent settings of the Client Terminal;

- (e) Untimely update of the Client Terminal;
- (f) When carrying out transactions via the telephone (land or cell phone lines) voice communication, the Client runs the risk of problematic dialing, when trying to reach an employee of the broker service department of the Company due to communication quality issues and communication channel loads;
- (g) The use of communication channels, hardware and software, generate the risk of non-reception of a message (including text messages) by the Client from the Company;
- (h) Trading over the phone might be impeded by overload of connection;
- (i) Malfunction or non-operability of the Platform, which also includes the Client Terminal.

6.6. The Client may suffer financial losses caused by the materialization of the above risks and shall be responsible for all related losses he may suffer. The Company accepts no responsibility or liability in the case if such a risk materializes.

7. Trading Platform

7.1. The Client is warned that he assumes a risk of financial loss when trading through an electronic platform, which may be a consequence of, amongst other, the following:

- (a) Failure of Client's devices, software and poor quality of connection;
- (b) Failure, malfunction or misuse of the Company's or Client's hardware or software by the Client;
- (c) Failure, malfunction or misuse of the Client's hardware or software;
- (d) Improper work of Client's equipment;
- (e) Wrong setting of Client's Terminal;
- (f) Delayed updates of Client's Terminal.

7.2. The Client acknowledges that only one Instruction is allowed to be in the queue at one time. Once the Client has sent an Instruction, any further Instructions sent by the Client are ignored and the "order is locked" message appears until the first Instruction is executed.

7.3. The Client acknowledges that the only reliable source of Quotes Flow information is that of the live Server's Quotes Base because the Customer acknowledges that 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.

7.4. The Client acknowledges that when the Client closes the order placing/deleting window or the position opening/closing window, the Instruction, which has been sent to the Server, shall not be cancelled.

7.5. Orders may be executed only one at a time while being in the queue. Multiple orders from the same Client Account in the queue may not be executed simultaneously.

7.6. The Client acknowledges that the Order shall not be cancelled when the Client closes the Order.

7.7. If the Client decides to repeat an Order in cases where he has not received the result of the execution of the previously sent Order, the Client shall accept the risk of making two similar Transactions instead of one.

7.8. The Client acknowledges that if the Pending Order has already been executed but the Client sends an instruction to modify its level, the only instruction, which will be executed, is the instruction to modify Stop Loss and/or Take Profit levels on the position opened when the Pending Order triggered.

8. Communication between the Client and the Company

8.1. 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.

8.2. The Client acknowledges that the unencrypted information transmitted by e-mail is not protected from any unauthorized access.

8.3. The Company has no responsibility if unauthorized third persons have access to information, such as electronic communication 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.

8.4. The Company has controls and procedures in place and in order to ensure its compliance with the provisions of the European Union General Data Protection Regulation, which will come into effect in May 2018.

8.5. 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 as they are automatically deleted within 3 (three) calendar days.

9. Force Majeure Events

9.1. 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.

9.2. 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.

9.3. The Client shall accept the risk of financial losses.

10. Abnormal Market Conditions

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 declared prices or may not be executed at all. Therefore Stop Limit and Stop Loss Orders cannot guarantee the limit of loss.

11. Foreign Currency

11.1. Fluctuations in the exchange rates for Financial Instrument notes traded in the Client's domestic currency, may have a negative effect on the value, price and performance of the Financial Instrument and may lead to losses for the Client.

12. General Risk Warning For Complex Financial Instruments (Derivative Financial Instruments such as CFDs)

12.1. **Trading in CFDs is VERY SPECULATIVE AND HIGHLY RISKY** and is not suitable for all members of the general public but only for those investors who:

- (a) understand and are willing to assume the economic, legal and other risks involved;
- (b) taking into account their personal financial circumstances, financial resources, life style and obligations are financially able to assume the loss of their entire investment;
- (c) have the knowledge to understand CFDs trading and the Underlying assets and Markets.

12.2. CFDs are derivative financial instruments deriving their value from the prices of the underlying assets/markets in which they refer to (for example currency, equity indices, stocks, metals, indices futures, forwards etc.). Although the prices at which the Company trades are set by an algorithm developed by the Company, the prices are derived from the Underlying Assets/market. It is important therefore that the Client understands the risks associated with trading in the relevant underlying asset/ market because fluctuations in the price of the underlying asset/ market will affect the profitability of his trade.

12.3. The Company will not provide the Client with any advice relating to CFDs, the Underlying Assets and Markets or make investment recommendations of any kind. If the Client does not understand the risks involved he should seek advice and consultation from an independent financial advisor. If the Client still does not understand the risks involved in trading in CFDs, he should not trade at all.

12.4. The Client should not risk more than he is prepared to lose. An investment in CFDs carries a high degree of risk and the Client may not get back the amount he has invested.

12.5. Behaviour of the previous performance of a CFD does not guarantee its current and/or further performance. The use of historical data does not constitute a binding or safe forecast as to the corresponding future performance of the Financial Instruments to which the said information refers.

12.5. Credit Risk

12.5.1. When trading CFDs, the Client effectively enters into an OTC transaction, which implies that any position opened with the Company cannot be closed with any other entity. OTC transactions may involve greater risk compared to transactions occurring on regulated markets due to the fact that there is no central counterparty, and as such either party to the transaction bears certain credit risk (or risk of default).

12.6. Leverage and Gearing

12.6.1. Transactions in foreign exchange and derivative Financial Instruments carry a high degree of risk. The amount of initial margin may be small relative to the value of the foreign exchange or derivatives contract so that transactions are "leveraged" or "geared". The client should unreservedly acknowledge and accept that he runs a great risk of incurring losses and damages as a result of the dealings in some financial instruments and accepts and declares that he is willing to undertake this risk.

12.6.2. A relatively small market movement will have a proportionately larger impact on the funds the Client has deposited or will have to deposit; this may work against or in favor of the Client. The Client may sustain a total loss of initial Margin funds and any additional funds deposited with the Company to maintain his position. If the market moves against the Client's position and/or Margin requirements are increased, the Client may be called upon to deposit additional funds on short notice to maintain his position. Failing to comply with a request for a deposit of additional Funds, may result in closure of his position(s) by the Company on his behalf and he will

be liable for any resulting loss or deficit.

12.7. Risk-reducing Orders or Strategies

12.7.1 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 may make it impossible to execute such Orders, e.g. due to illiquidity in the market. Strategies using combinations of positions, may be as risky as taking simple "long" or "short" positions. Therefore Stop Limit and Stop Loss Orders cannot guarantee the limit of loss.

12.7.2. The Expert Advisor cannot guarantee the limit of loss.

12.8. Volatility

12.8.1. Some Derivative Financial 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 Derivative Financial Instruments refer to. Derivative Financial Instruments and related Underlying Markets can be highly volatile. The prices of Derivative Financial 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 declared prices leading to losses. The prices of Derivative Financial 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 market place.

12.9. Margin

12.9.1. The Client acknowledges and accepts that, regardless of any information which may be offered by the Company, the value of Derivative Financial 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 favour, the Client may achieve a good profit, but an equally small adverse market movement can not only quickly result in the loss of

the Clients' entire deposit, but may also expose the Client to a large additional loss.

12.10. Liquidity

12.10.1. Some of the Underlying Assets may not become immediately liquid as a result of reduced demand for the Underlying Asset and the Client may not be able to obtain the necessary information on their value or the extent of the associated risks.

12.11. Contracts for Differences

12.11.1. The CFDs available for trading with the Company are non-deliverable spot transactions giving an opportunity to make profit on changes in the Underlying Asset (cash indices, index futures, bond futures, commodity futures, spot crude oil, spot gold, spot silver, single stocks, currencies or any other asset according to the Company's discretion from time to time). Notable profit might be achieved by a small movement of the Underlying Asset in the Client's favour. An equally small adverse market movement however, can not only quickly result in the loss of the Clients' entire deposit, it can burden the Client with additional commissions and other expenses. So, the Client must not enter into CFDs unless he is willing to undertake the risks of losing entirely all the money which he has invested and also any additional commissions and other expenses incurred.

12.11.2. Investing in a Contract for Differences carries risks and the Client should be aware of these as set out above. Transactions in Contracts for Differences may also have a contingent liability and the Client should be aware of the implications of this as set out below under "Contingent Liability Investment Transactions".

12.12. Off-exchange transactions in Derivative Financial Instruments

12.12.1. CFDs offered by the Company 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, to assess the value of the position arising from an off-exchange transaction or to 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 a fair price is.

12.12.2. In regards to transactions in CFDs the Company uses 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, thus it does not

have the same protection.

12.13. Contingent Liability Investment Transactions

12.13.1. 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 it can be found on the Company's website.

12.13.2. If the Client trades Contracts for Differences, he 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 position may be liquidated at a loss and he will be responsible for the resulting deficit. It is noted that the Company will notify the Client for any Margin Call through a standard Margin Call Notification.

12.13.3. 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.

12.13.4. Contingent liability investment transactions which are not traded on or under the rules of a recognised or designated investment exchange may expose the Client to substantially greater risks.

12.14. Collateral

12.14.1. If the Client deposits 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 the collateral depending on whether the Client is trading on a recognised 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 the Client's property once dealings on the Client's behalf are undertaken. Even if the Client's dealings should ultimately prove profitable, he may not get back the same assets which he deposited, and may have to accept payment in cash.

12.15.1. Suspensions of Trading

12.15.2. 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 the Client's 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.

12.16. NoDelivery

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

12.17. Slippage

12.17.1. Slippage is the difference between the expected price of a Transaction in a CFD, and the price that the Transaction is actually executed at. Slippage often occurs during period of higher volatility (for example, due to news events) making an Order at a specific price impossible to execute, when market orders are used, and also when large Orders are executed when there may not be enough interest at the desired price level to maintain the expected price of trade.

12.18. Overnight Premium

12.18.1. The value of open positions in CFDs is subject to overnight Premium. Overnight Premium will cover the benefit/cost of the associated funding. Details of daily financing fees applied are available in the Company's website.

13. Advice and Recommendations

When placing Orders with the Company, the Company will not advise the Client about the merits of a particular Transaction or give him any form of investment advice. The Client acknowledges that the Services do not include the provision of investment advice in CFDs or the Underlying Markets. The Client alone will enter into Transactions and take relevant decisions based on his own judgement. In asking the Company to enter into any Transaction, the Client represents that he has been solely responsible for making his own independent appraisal and investigation into the risks of the Transaction. He represents that he has sufficient knowledge, market sophistication, professional advice and experience to make his own evaluation of the merits and risks of any Transaction. The Company gives no guarantee as to the suitability to the Customer of the products traded under this Agreement and assumes no fiduciary duty in its relations with the Client.

13.1. The Company will not be under any duty to provide the Client with any legal, tax

or other advice relating to any Transaction. The Client should seek independent expert advice if he is in any doubt as to whether he may incur any tax liabilities. The Client is hereby warned that tax laws are subject to change from time to time.

13.2. The Company may, from time to time and at its discretion, provide the Client (or in newsletters which it may post on its Website or provide to subscribers via its Website or the Trading Platform or otherwise) with information, recommendations, news, market commentary or other information but not as a service. Where it does so:

(a) the Company will not be responsible for such information;

(b) the Company gives no representation, warranty or guarantee as to the accuracy, correctness or completeness of such information or as to the tax or legal consequences of any related Transaction;

(c) this information is provided solely to enable the Client to make his own investment decisions and does not amount to investment advice or unsolicited financial promotions to the Client;

(d) if the document contains a restriction on the person or category of persons for whom that document is intended or to whom it is distributed, the Client agrees that he will not pass it on to any such person or category of persons;

(f) the Client accepts that prior to dispatch, the Company may have acted upon it itself to make use of the information on which it is based. The Company does not make representations as to the time of receipt by the Client and cannot guarantee that he will receive such information at the same time as other clients.

13.3. It is understood that market commentary, news, or other information provided or made available by the Company are subject to change and may be withdrawn at any time without notice.

14. No Guarantees of Profit

14.1. The Company provides no guarantees of profit nor of avoiding losses when trading. The Customer does not receive such guarantees from the Company or from any of its representatives. The Customer is aware of the risks inherent in trading and is financially able to bear such risks and withstand any losses incurred.

Appendix

I. Glossary

Glossary of all the abbreviations found in the document

Abbreviation	Definition
CFD	Contract for Difference
Company	Xtrade Europe Ltd (ex. XFR Financial Ltd.)
Law	Operation of Regulated Markets and Other Related Matters Law 144(I)/2007-2014
OTC	Over-the-counter