RISK DISCLOSURE

INTRODUCTION

Trading Point of Financial Instruments Ltd, operating under the trading name XM.com, is a Cypriot Investment Firm ("CIF") registered with the Registrar of Companies in Cyprus under number HE 251334, and regulated by the Cyprus Securities and Exchange Commission ("CySEC") under license number 120/10 (hereinafter "XM", the "Company", "we", "us" and "our", as appropriate).

The Company is operating under the Cypriot Law L. 87(1)/2017 titled “Investment Services and Activities and Regulated Markets Law of 2017” which transposed the European Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as the same may be in force from time to time and modified or amended from time to time (hereinafter "MiFID II"). This Notice, or more specifically this Risk Disclosure, is provided to you in accordance with the requirements of the above legislation because you consider the use or you already use the services of the Company to enter into transactions in financial instruments provided by the Company (hereinafter “supported financial instruments”, “financial instruments” or “products”).

This Notice cannot and does not disclose or explain all of the risks and other significant aspects associated with our services and Company's financial instruments. Its purpose is to explain, in general terms, the nature of the risks particular to entering into transactions (i.e. trade) in the Financial Instruments provided by the Company and to help you to take investment decisions on an informed basis. For a detailed explanation on how our services operate, you should read the following documents, which together with this Notice, form our agreement with you:

- Terms and Conditions of Business/Client Agreement;
- Order Execution Policy;
- Summary of Conflicts of Interest Policy;
- Client Categorisation Policy; and
- Privacy Policy.

You should NOT commence trading with us until you have read and understood the documents referred to above.

GENERAL CHARACTERISTICS OF COMPANY’S PRODUCTS

We offer trading services in Contracts For Differences (“CFDs”). CFDs fall under the asset class of derivative financial instruments (hereinafter “derivatives”). A derivative is a financial instrument whose price is dependent upon or derived from the price fluctuations of another underlying financial instrument.

What is a Contract for Difference?

A Contract for Difference (CFD) is an over-the-counter ("OTC") derivative which enables investors to obtain exposure and participate in the returns (which could end up being positive or negative) from price movements in an underlying financial instrument, without the need to physically acquire that underlying financial instrument.

Who is your Counterparty?

Like all derivatives, a CFD is a contract under which two parties agree to exchange the difference in value between the opening value and the closing value of the contract. For the purposes of Client orders in financial instruments provided by the Company, the Company is always the counterparty (or
‘principal’) to all of your trades. Therefore, the Company is the sole execution venue for the execution of the Client's orders. Should you decide to open a position in a financial instrument with the Company, then that open position may only be closed with the Company.

How is your profit or loss on a CFD trade calculated?

CFDs allow you to make a profit or loss from the price fluctuations in the underlying financial instrument and the amount of any profit or loss on a CFD trade will be the total of the difference between the opening value of the CFD (Quantity x our price) and the closing value of the CFD (Quantity x our price) less any commissions and/or any other fees you incur and are required to pay to us in respect of the CFD.

Our trading service carries a high level of risk and is *not* suitable for everyone. You should *not* trade with us unless you understand the nature of the transaction you are entering into and the extent of your potential loss from a trade. **You trade entirely at your own risk.**

Our trading service is *‘execution-only’*. This means that we carry out your trading instructions. We do **NOT** provide you with any investment advice.

FUNCTIONING AND PERFORMANCE OF COMPANY’S PRODUCTS IN DIFFERENT MARKET CONDITIONS

CFD products entail the use of “gearing” or “leverage” and are considered speculative products and, as such, carry significantly greater risks than non-leveraged products. Leverage enables you to obtain a large exposure to a financial instrument while only tying up a relatively small amount of your capital. However, your profit or loss is based on the full position (exposure) and, as such, the amount you gain or lose might seem very high in relation to the sum you have invested.

The performance of such products depends on different market conditions which can have positive or negative effects on the performance of a product. Therefore, when trading in CFDs, the market can move in your favour for a profit or against you for a loss.

For a better understanding as to how the market can have a positive or negative impact on your trades, a number of examples is included in the Appendix of this document.

Trading in CFDs is **not** suitable for all investors. Thus, you should not invest in CFDs unless you adequately understand the characteristics, and in particular the associated risks, of these products and you are comfortable with these risks when trading on such products. You should seek independent professional advice, if necessary, in order to ensure that investing in these products is suitable for your objectives, needs and financial circumstances and resources.

RISKS ASSOCIATED WITH TRADING IN COMPANY’S PRODUCTS

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

A. **General Risks associated with the Financial Instruments offered by the Company**

1. The Company does not and cannot guarantee the initial capital of the Clients’ portfolio or its value at any time or any money invested in any financial instrument.

2. Transactions undertaken through the dealing services of the Company may be of a speculative nature. Large losses may occur in a short period of time, equaling the total of funds deposited with the Company.

3. You may be required to deposit additional funds into your account at short notice in order to support your open trades. A failure to deposit additional funds when required to do so may result in your
open trades being closed out (‘stopped out’) at a loss and your pending orders cancelled by us without notice to you.

4. Under certain market conditions, it may be difficult or impossible to execute your order.

5. You must understand that the price of the financial instruments being traded is determined by fluctuations in markets outside our control.

6. We do not guarantee that an order you place to limit the loss on a trade (‘stop loss’) will be filled at the price that you specify. In a fast-moving market, your order may be liable to ‘gap through’, with the result that your trade is closed at an increased loss as compared with the level of the order that you placed. In the event that a ‘gap through’ occurs there can be a markedly different price in the financial instrument being traded with no opportunity to close your trade in-between. Therefore, an order you place to limit the loss on a trade should not be treated as a guarantee to limit your loss on that trade to a specific amount.

7. The Client's attention is expressly drawn to CFDs on currencies traded irregularly or infrequently that it cannot be certain that a price will be quoted at all times or that it may be difficult to effect transactions at a price which may be quoted owing to the absence of a counterparty.

8. Some financial instruments are quoted and settled in currencies other than the base currency of your account. Trading in these instruments carries additional risk as the currency exchange rate at the time you close a trade and when your balance is converted to your base currency at the close of business on the same day may have fluctuated against you. Therefore, if you trade in an instrument that is not quoted in the base currency of your account, currency exchange fluctuations will have an impact upon your profits and losses.

9. Any funds you deposit with us or is credited to your Account will be held in one or more segregated client bank accounts. The client bank accounts will be pooled accounts holding funds of other clients of ours and will not hold any of our own money. You shall have an ownership interest in your share of the balance in the relevant client bank account. However, in the event that a bank at which the client bank account is held has become insolvent or has otherwise failed and is unable to return the full amount of funds held in the client bank account, you may not receive all the funds to which you have an ownership interest.

10. In the event of insolvency of the Company, your positions may be closed out against your wishes.

11. Changes in, or the introduction of new, rules, regulations and laws or the way in which they are applied or interpreted may impact your trading with us. You may be exposed to the risks arising under the rules, laws and regulations of jurisdictions other than the jurisdiction in which you are located and/or with which you are familiar.

12. Trading online, no matter how convenient or efficient, does not necessarily reduce risks associated with trading. In addition, by trading online, you face risks of slow or no internet connectivity and hardware or software failures.

13. It is your responsibility to monitor your account at all times. It is important that you monitor your positions closely due to the speed at which profits or losses can be incurred. If you have open trades you should always be in a position to access and manage your account. You may do this on-line, 24 hours a day, 7 days a week.

B. Specific Risks associated with transactions in Financial Instruments of the Company

The Client should unreservedly acknowledge and accept that, regardless of any information which may be offered by the Company, the value of the Supported Financial Instruments may fluctuate downwards or upwards and it is even probable that the investment may become of no value.

The Client should also unreservedly acknowledge and accept that he runs a great risk of incurring losses and damages, up to all his/her invested capital, as a result of the dealing in Financial Instruments and accepts and declares that he is willing to undertake this risk.
The main specific risks associated with transactions in Financial Instruments of the Company are the following:

1. **Leverage**

As CFD products entail the use of leverage, you may deposit a relatively small proportion of the overall contract value to open a trade. This can work for and against you as a relatively small movement in the price of the underlying financial instrument being traded can have a disproportionate effect on your trade. This may result in you achieving a good profit if the price of the underlying financial instrument moves in your favour, but, equally, may result in you incurring significant losses as an equally small adverse market movement may quickly result in the loss of your entire invested capital. Your losses will never exceed the balance of your account as the Company offers a “negative balance protection”.

For example, if an investor trades with leverage 1:100 and wants to open a position on EUR/USD worth of USD 100,000, the investor would only need to use USD 1,000 (i.e. USD 100,000 / 100) of his/her funds to do so.

2. **Volatility of price and limitation on the available market**

The products provided by the Company are derivative financial instruments, where their price is derived from the price of the underlying financial instruments in which the financial instruments refer to. Derivative financial instruments or markets can be highly volatile. The prices of derivative financial instruments and the underlying instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in market conditions, none of which can be controlled by the Client or the Company. Under certain market conditions, it can be impossible to execute any type of Clients order at the declared price. Therefore, even an open trade with a ‘stop loss’ order cannot always guarantee the limit of loss.

The prices of derivative financial instruments are influenced by, amongst others, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and/or the behavioural characteristics in a capital market.

Transactions in the products provided by the Company are not undertaken on a Trading Venue (Regulated Market, Multilateral Trading Facility or Organised Trading Facility), rather they are executed by the Company, through its Electronic Trading Platform, which is not a Trading Venue, and as such you may be exposed to greater risks than those of a Trading Venue. The terms and conditions and trading rules are established solely by the Company. You must close an open position of any given financial instrument during the opening hours of the Company’s Trading Platform.

3. **Impediments on closing an open trade**

There may be circumstances where there is low liquidity in a financial instrument and/or where you have a large position and, therefore, it is not possible to close your open trades immediately. During that time, the value of your open trades could fall, possibly by a significant sum, and you will be liable for the full amount of the losses that arise.

4. **Margin requirements**

You are required to deposit a margin with the Company in order to open a trade. The margin requirement will depend on the underlying instrument of the derivative Financial Instrument, the level of your chosen leverage and the value of position to be established. When the margin level required to maintain the open position(s) in your trading account falls below the minimum margin requirement, as specified by the Company, we may, but shall have no obligation whatsoever, issue a ‘margin call’ and in this case you will have to either increase the ‘equity’ in your trading account by depositing additional funds and/or close your positions. If you do not perform any of the aforementioned and the trading account reaches or falls below the ‘stop out level’, as this is
specified by the Company, the automatic ‘stop out mechanism’ will be initiated and will start closing the open positions at the current market prices, in descending order on the basis of level of loss of each trade. The Company guarantees that there will be no negative balance in your account when trading in financial instruments provided by the Company due to the negative balance protection offered by the Company.

5. Additional obligations

Before you commence trading with us, you should ensure that you are aware of our charging system. If any charges are not expressed in money terms, but for example as a spread, you may request and obtain a clear written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms.

The value of open positions in certain financial instruments provided by the Company is subject to ‘financing fees’ (for example ‘swap rates’). The price of long positions in financial instruments is reduced by a daily financing fee throughout their life. Conversely, the price of short positions in financial instruments is increased by a daily financing fee throughout their life. Financing fees are based on prevailing market interest rates, which may vary over time.

Details of our charging system (such as spreads, commissions and financing fees) may be found on the Company’s website under the link: https://www.xm.com/spreads.

You should be aware that your trades in financial instruments may be or become subject to tax and/or any other duty, for example, because of changes in legislation or in your personal circumstances. The Company does not warrant that no tax and/or any other stamp duty will be payable. You are responsible for any taxes and/or any other duties which may accrue in respect of your trades.

C. Risks associated with CFDs on Cryptocurrencies

1. You should acknowledge and understand that Cryptocurrencies are a type of decentralised digital currency or asset, which is not issued by any Central Bank or any other issuer, in which encryption techniques are used to facilitate the generation of units of the currency or asset and verify the transfer of units. Trading in Cryptocurrencies and/or in CFDs on Cryptocurrencies is not appropriate for all investors and, thus, you should not trade in such products unless you understand and accept the specific characteristics and risks related to these products.

2. Trading in Cryptocurrencies and/or in CFDs on Cryptocurrencies falls outside the scope of the regulated investment services and products offered by the Company, as such products are not covered by the regulatory framework of MiFID II. Cryptocurrencies are traded on non-regulated decentralised digital exchanges. You should acknowledge and accept that, by trading in such products, a significantly higher risk of loss of the invested capital may occur within a very short period of time as a result of sudden adverse price movements of the cryptocurrencies. This is due to the fact that the price formation and price movements of the Cryptocurrencies depend solely on the internal rules of the particular digital exchange, which may be subject to change at any point in time and without prior notice. This leads to a very high intra-day volatility in the prices of the Cryptocurrencies, which may be substantially higher relative to other financial instruments provided by the Company.

3. The market and pricing data on Cryptocurrencies is derived from the digital decentralised exchanges that the Cryptocurrencies are traded on. Due to the fact that the price-formation rules on Cryptocurrencies provided by such exchanges are not subject to any regulatory supervision, they may be subject to changes in the relevant digital exchange’s discretion at any time. Likewise, such digital exchanges may introduce trading suspensions or take other actions that may result in the suspension or cessation of trading or the price and market data feed becoming unavailable to us. The above factors could result in material adverse effect on your open positions, including the loss of all of your invested capital. Where a temporary or permanent disruption to or cessation of
trading occurs on any digital exchange from which we derive our price feeds for the relevant Cryptocurrency, your positions in such Cryptocurrency will be priced at the last available price for the relevant Cryptocurrency and you may be unable to close or liquidate your position or withdraw any funds related to such position until the trading on the relevant digital exchange resumes (if at all). You accept that where trading resumes again at either the relevant initial digital exchange or on any successor exchange thereof, there may be significant price differential ("price gapping") which may impact the value of your CFD positions in the relevant Cryptocurrencies and result in significant profits or losses. Where trading does not resume, all of your invested capital could potentially be lost.

You hereby acknowledge and accept that you have been informed by the Company and understand the associated risks when taking investment decisions in respect of trading in CFDs on Cryptocurrencies.

ONGOING REVIEW AND AMENDMENT OF RISK DISCLOSURE

The Company reserves the right to review and/or amend its Risk Disclosure, at its sole discretion, whenever it deems fit or appropriate.

OTHER INFORMATION

1. The Risk Disclosure is not part of our Client Agreement/Terms and Conditions of Business and are not intended to be contractually binding or impose or seek to impose any obligations on us which we would not otherwise have, but for the Cyprus Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017).

2. We are members of the Investor Compensation Fund ("ICF"). You may be entitled to compensation from the ICF if we cannot meet our obligations. The maximum amount of compensation paid to a client, who will be deemed as eligible for compensation, is EUR 20,000. The said coverage applies to the total amount of claims by a client against an ICF member, irrespective of the number of accounts, the currency and the place of provision of the service. Further information about compensation arrangements is available at the website of the Cyprus Securities and Exchange Commission: https://www.cysec.gov.cy/en-GB/complaints/tae/

3. If there is anything in the Risk Disclosure you do not understand, please contact our Compliance Department: compliance@xm.com.

EFFECTIVE DATE

The effective date is 3 January 2018.
EXAMPLES

The below examples illustrate how the market can move in your favor or against a Client when trading in CFDs. Please note that the examples provided herein below are only provided for illustrative purposes and do not necessarily reflect current or future market or product movements, the values that the Company will apply to a trade, nor how such trades impact your personal circumstances. Also, the figures used in the examples do not necessarily reflect your personal circumstances and do not restrict in any manner the way in which the Company may exercise its powers or discretions. These examples do not constitute general or personal advice to any person reading this document:

1. **CFD on a Currency Pair (Forex)**

**Example 1 – Buy Order (profitable trade)**

Currency Pair: EUR/USD  
Base currency: USD  
Contract size: 1 Standard Lot (100,000 units)  
Current Bid/Ask price: 1.28380/1.28390  
Selected Leverage: 1:200 (or 0.5% margin)  
Commission/Fees: No

You believe that signals in the market are indicating that the EUR will go up against the USD ("$"). You decide to enter into a CFD on EUR/USD and place a ‘buy order’.

Therefore, you open one standard lot (100,000 units of EUR/USD), buying the EUR at your selected leverage of 1:200 (or 0.5% margin) and wait for the exchange rate of EUR/USD to climb. When you buy one lot (100,000 units) of EUR/USD at a price of 1.28390, you are effectively buying 100,000 EUR, which is worth $128,390 (100,000 units of EUR x 1.28390). As the margin requirement is 0.5%, then approximately US$642 (US$128,390 x 0.5%) would be set aside in your account to open up the trade. You now ‘control’ 100,000 EUR with just US$642.

Your predictions come true and you decide to close your trade. The Euro strengthens to 1.28420/1.28430. Now, to realise the profits, you close your order, i.e sell one lot (100,000 units) of EUR/USD at the current rate of 1.28420 and you receive $128,420 for that trade (100,000 units x 1.28420).

**Result of your closed trade**

You bought one lot (100,000 units) of EUR/USD at a price of 1.28390, paying $128,390. Then, you sold one lot (100,000 units) of EUR/USD at a price of 1.28420, receiving $128,420. That is a positive difference of $30 ($128,420 – $128,390 = +$30).

**Total profit** = $30 on a deposit of $642.

**Example 2 – Buy Order (loss-making trade)**

Currency Pair: EUR/USD  
Base currency: USD  
Contract size: 1 Standard Lot (100,000 units)  
Current Bid/Ask price: 1.28380/1.28390  
Selected Leverage: 1:200 (or 0.5% margin)  
Commission/Fees: No

You believe that signals in the market are indicating that the EUR will go up against the USD ("$"). You decide to enter into a CFD on EUR/USD and place a ‘buy order’.

Therefore, you open one standard lot (100,000 units EUR/USD), buying EUR at 0.5% margin and wait for the exchange rate of EUR/USD to climb. When you buy one lot (100,000 units) of EUR/USD at a price of 1.28390, you are effectively buying 100,000 EUR, which is worth $128,390 (100,000 units of EUR x 1.28390). If the margin requirement was 0.5%, then approximately US$642 would be set aside
in your account to open up the trade (US$128,390 x 0.5%). You now ‘control’ 100,000 EUR with just US$642.

Your predictions do not come true and the Euro weakens to 1.28360/1.28370. Now, you decide to close your order to avoid further losses, you close your trade, i.e. sell one lot (100,000 units) of EUR/USD at the current rate of 1.28360, and you receive $128,360 for that trade (100,000 units x 1.28360).

Result of your closed trade
You bought one lot (100,000 units) of EUR/USD at a price of 1.28390, paying $128,390. Then, you sold one lot (100,000 units) of EUR/USD at a price of 1.28360, receiving $128,360. That is a negative difference of $30 ($128,360 – $128,390 = -$30).

Total loss = -$30 on a deposit of $642.

2. CFD on Gold

Example 1 – Sell Order (profitable trade)

Precious Metal: Gold  
Base currency: USD  
Contract size: 1 Standard Lot (100 ounces of Gold)  
Current Bid/Ask price: 1248.20/1248.60  
Selected Leverage: 1:200 (margin of 0.5%)  
Commission/Fees: No

Imagine the current Bid/Ask price for Gold is: 1248.20/1248.60, meaning that you can enter into a Gold CFD to buy ('go long') at 1248.60 or sell ('go short') at 1248.20. Suppose that you believe that the value of Gold will fall and, as such, you decide to enter into a CFD on Gold and place a 'sell order', i.e. to sell ('go short') Gold.

Therefore, with a 0.5% margin, the amount of US$624.10 (100 ounces x 1248.20 x 0.5%) would be set aside in your account for selling (going short) 100 ounces (one lot) of Gold. As you expected, the value of Gold drops to 1245.80/1246.20. Now, to realize the profits, you close the order and buy 100 ounces (one lot) of Gold at the current price of 1246.20.

Result of your closed trade
You went short one lot (100 ounces) of Gold at 1248.20 for $124,820. Then, you closed your trade, i.e. bought one lot (100 ounces) of Gold at 1246.20 for $124,620. That is a positive difference of $200 ($124,820 - $124,620 = $200).

Total profit = $200 on a deposit of $624.10.

Example 2 – Sell Order (loss-making trade)

Precious Metal: Gold  
Base currency: USD  
Contract size: 100 ounces  
Current Bid/Ask price: 1248.20/1248.60  
Selected Leverage: 1:200 (margin of 0.5%)  
Commission/Fees: No

Imagine the current Bid/Ask price for Gold is: 1248.20/1248.60, meaning that you can enter into a Gold CFD to buy ('go long') at 1248.60 or sell ('go short') at 1248.20. Suppose that you believe that the value of Gold will fall and, as such, you decide to enter into a CFD on Gold and place a 'sell order', i.e. to sell ('go short') Gold.

Therefore, with a 0.5% margin, the amount of US$624.10 (100 ounces x 1248.20 x 0.5%) would be set aside in your account for selling (going short) 100 ounces (one lot) of Gold. Your predictions do not
come true and the value of Gold rises to 1249.80/1250.20. Now, to minimise your losses, you close the order and buy 100 ounces (one lot) of Gold at the current price of 1250.20.

Result of your closed trade
You went short one lot (100 ounces) of Gold at 1248.20 for $124,820. Then, you closed your trade, i.e. bought one lot (100 ounces) of Gold at 1250.20 for $125,020. That is a negative difference of $200 ($124,820 - $125,020 = -$200).

Total loss = -$200 on a deposit of $624.10.