

**FXGIANTS**

**RISK**

**DISCLOSURE**

## **RISK DISCLOSURE**

Notesco UK Limited ("the "Company") is authorized and regulated by the Financial Conduct Authority ("FCA") under firm reference number 585561, to act as a Matched Principal Broker and as agent, in relation to a number of investment instruments.

FXGiants is a trade name of Notesco UK Limited. This notice is provided to you in compliance with the Markets in Financial Instruments Directive (MiFID II) numbered 2014/65-EC and the FCA rules (COBS 2.2.1 R) and contains important information about the risks associated when dealing with Contract For Differences ("CFDs"), Spread Bets or other financial derivative products. This notice cannot and does not disclose or explain all of the risks and other significant aspects involved in trading in CFDs, spread bets or any other financial derivative products.

***Clients can trade through the Company CFDs on forex, spot metals, futures and shares as well as spread bets.***

Clients classified as *Retail Clients* receive the highest possible level of protection while *Professional Clients and Eligible Counterparties* are to be able to properly assess the risks involved and enjoy a lower level of protection.

### **Complex Instruments warning**

Complex Instruments are derivative products for which special risks apply. This notice is provided to you as a retail client in compliance with the FCA rules. This notice cannot disclose all the risks and other significant aspects of complex instruments. You should not deal with complex instruments unless you understand their nature and your exposure to risk. You should be satisfied that the product is suitable for you in the light of your circumstances and financial position.

Although complex instruments can be utilized for the management of investment risk, some of these products are unsuitable for many investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should first make yourself acquainted with the risks associated with the investments. Independent financial advice is necessary if you are unsure whether such complex instruments are appropriate for you.

### **Products description**

A CFD is an agreement between a 'buyer' and a 'seller' to exchange the difference between the current price of an underlying asset (currencies, commodities, indices, shares etc.) and its price when the contract is closed.

CFDs are leveraged products. They offer exposure to the markets while requiring you to only put down a small margin ('deposit') of the total value of the trade. They allow investors to take advantage of prices moving up (by taking 'long positions') or prices moving down (by taking 'short positions') on underlying assets.

When the contract is closed you will receive or pay the difference between the closing value and the opening value of the CFD and/or the underlying asset(s). If the difference is positive, the Company pays you. If the difference is negative, you must pay the Company.

Notwithstanding the above, the Company provides you with a negative balance protection, per trading account, ensuring that you will not enter into a negative balance and be required to recover such losses and/or pay the Company the difference.

CFDs might seem similar to mainstream investments such as shares but they are different as you never actually buy or own the asset underlying the CFD.

'Spread betting' means a bet on the difference between the opening and closing price of a contract, the financial value of which is derived from the fluctuations in the price of the underlying asset (including but not limited to currency pairs, shares, metals etc.). Spread bets are a form of CFDs which can be settled only in cash. Investing in CFDs or a spread bet carries similar risks and you should be aware of them before investing in these products. Please seek independent advice if necessary.

Although CFDs, spread bets and derivative products in general can be utilised for the management of investment risk, they are unsuitable and not appropriate for many clients as they carry a high degree of risk.

CFDs, spread bets and other financial derivatives are leveraged products and involve a high level of risk. It is possible to lose all your capital.

CFDs, spread bets and derivative products in general may not be suitable for everyone. Before trading in these financial products you should ensure that you fully understand all the risks involved and the extent of your exposure. Seek independent advice if necessary. If you do not understand how these financial products work then you should not trade it.

### **Trading is considered to be risky and speculative**

The client is responsible for all the losses suffered in his account (up to the available balance as a negative balance protection per account applies). Consequently, the client should be prepared to lose all the invested capital. Do not invest money you cannot afford to lose.

### **Gearing and Leverage**

Before the client opens a trade on CFD or other financial derivative product, the client is required to lodge money with the Company in order to maintain a margin. This margin is usually a relatively modest proportion of the overall contract value. This means that the client will be trading using "leverage" or "gearing". This means a relatively small market movement can lead

to a proportionately much larger movement in the value of the client's position and this can work either against the client or for the client.

At all times during which the client has open trades, he must maintain enough equity in the account, taking into consideration all accrued profits and losses, for meeting the margin requirements. If prices move against the client then the client must deposit sufficient funds to avoid any margin calls otherwise the Company will be entitled to close one or more or all of the client's trades (including any positions that are currently showing a profit) regardless of whether the client agrees with the Company's decision to close his trade(s).

The Company applies the following Leverage limits and margin close-out rules in accordance with the product intervention measures the European Securities and Markets Authority (ESMA) has agreed up to date. The said measures might be updated from time to time based on ESMA announcements.

#### **Leverage limits on CFD positions**

- 30:1 for major currency pairs; *(the major currencies are currency pairs comprising any two of these currencies: USD, EUR, JPY, GBP, CAD and CHF)*
- 20:1 for non-major currency pairs, gold and major indices; *(the major indices are any of these equity indices: FTSE 100; CAC 40; DAX30; DJIA; S&P 500; NASDAQ; NASDAQ 100; Nikkei 225; ASX 200; EURO STOXX 50)*
- 10:1 for commodities other than gold and non-major equity indices;
- 5:1 for individual equities and other reference values

#### **Margin close-out rule**

The Company applies a margin close out rule on a per account basis. The rule standardize the percentage of margin at 50% of minimum required margin at which the Company is required to close out one or more retail client's open positions on CFDs. For more details on the specific margin close out rule (i.e. margin levels) please refer to the specific Terms and Conditions per account type (i.e. STP/ECN) as the specific account can have a higher margin close out rule.

#### **Appropriateness**

The Company requires the client to pass an appropriateness test during the application process and warns the client, if on the basis of the information provided, the trading of Forex, CFDs, spread bets or any other derivative products is not appropriate based on the client's profile. If the client passes the appropriateness test this does not relieve the client of his / her responsibility, given the risks involved, to carefully consider on an initial and on-going basis whether to trade in CFDs, spread bets and derivative products in general.

#### **Off-Exchange Transactions**

When a client trades Forex, CFDs, spread bets or any other derivative product with the Company, the client enters into off-exchange ("OTC") derivative transaction, by placing his orders through the Company's trading platform. OTC transactions may involve greater risk

than investing in on-exchange derivatives because there is no exchange market on which to close-out an open position. The client needs to open and close a position with the Company that is not transferable to any other person. In this case, the client is exposed to the risk of the Company's default. Counterparty risk is the risk that the counterparty defaults and is unable to meet its financial obligations. In the unlikely event that the Company is unable to meet its financial obligations in respect of investment business, if you make a valid claim you may be entitled to redress from the FSCS in respect of the investments that we arrange for you. Eligible claimants can submit a claim to the FSCS. The scheme protects up to £50,000 per person per regulated entity.

The Company holds the clients' funds in licensed credit institutions and in more particular keeps segregated clients' accounts from the Company's own account, in accordance with current regulations.

### **Underlying Market Volatility**

CFDs, spread bets and other financial derivative products are instruments that allow the client to trade on price movements in underlying markets/instruments. Even though the Company offers its own prices at which the client trades CFDs, spread bets and other financial derivative products, the Company's prices are derived based on the underlying instruments/markets.

It is important for the client to understand that the fluctuation of the underlying instrument may influence the value of the derivative product and affect the client's profitability. The client should also be aware of "gapping" where events occur that result in a sudden and significant profit or loss on the client's account. "Gapping" can occur either when the underlying instrument/market is open or when it is closed.

If you do not have enough time to monitor your investment on a regular basis, you should not invest on CFDs, spread bets or other complex financial instruments. These products are not suitable to 'buy and hold' trading. They can require constant monitoring over a short period of time. Even maintaining your investment overnight exposes you to greater risk and additional costs. The volatility of the market together with the extra leverage on your investment can result in rapid changes to your overall investment position. Immediate action may be required to manage your risk exposure or to post additional margin.

### **Stop loss' limits**

There are some circumstances in which a 'stop loss' limit is ineffective, for example, where there are rapid price movements or market closure. Stop limits cannot always protect you from losses.

**Liquidity risk** can affect your ability to trade. Some financial instruments may not become immediately liquid as a result, for example, of reduced demand and the client may not be able

to sell them or easily obtain information on the value of these financial instruments or the extent of the associated risks.

**Execution risk**

Execution risk is associated with the fact that trades may not take place immediately. For example, there might be a time lag between the moment you place your order and the moment it is executed. In this period, the market might have moved against you. That is, your order is not executed at the price you expected.

If trading after the market is closed, be aware that the prices for these trades can differ widely from the closing price of the underlying asset. In many cases, the spread can be wider than it is when the market is open.

**Client Money**

When holding Client Money on behalf of a Retail Client, the Company makes adequate arrangements to safeguard the clients' rights and prevent the use of Client Money for its own account. For this purpose, the Company ensures to promptly place any Client money into one or more accounts, denoted as 'clients' accounts which are segregated from the Company's own accounts and opened with any of the following: (a) a credit institution within the European Economic Area ("EEA"); (b) a bank authorized and/or licensed in a third country and (c) a payment provider that has been assessed based on specific criteria imposed by the Company and/or approved by the Company's management. The third party to whom the Company will pass money may hold it in an omnibus account and it may not be possible to separate it from the Client's money, or the third party's money in which case the Client will not have any claim against a specific sum in a specific account in the event of insolvency.

The Company does not accept any liability or responsibility for any resulting losses. In general, accounts held with institutions, including omnibus accounts face various risks including the potential risk of being treated as one (1) account in case the institution defaults. Another risk might be that the funds in the Omnibus Account may be exposed to obligations of the Company connected with the positions of other clients in case the Company is unable to meet its obligations towards them.

Furthermore, the Client acknowledges that the Company, where applicable, may transfer/hold Client Money within or outside the EEA in one or more segregated clients' bank account. Client Money held outside the EEA may be subject to the jurisdiction of that territory and Client rights may differ accordingly. The Company shall not be liable for the solvency, acts or omissions of any institution with which Client Money are held.

**Cost and Charges**

All relevant costs and charges will be provided by the Company or set out on the Company's website. Clients should be aware of such costs and charges as they will influence the account profitability of the client.

In addition to any profit or losses, there are different types of costs linked to transactions in derivative products. Costs will impact the effective return. Examples of costs include

commissions charged by the Company. Costs related to derivative trading may also include bid-offer spreads, daily and overnight financing costs, account management fees and taxes. These costs can be complex to calculate and may outweigh the gross profits from a trade.

### **Tax**

You should understand the tax treatment of any profits, gains or losses you may make trading CFDs or other derivative financial instruments.

Spread betting and CFDs are exempt from UK stamp duty. Spread bet is also exempt from UK Capital Gains tax. Tax laws however, are subject to change and depend on individual circumstances. Please seek independent advice if necessary.

### **Swap Values and Charges**

If a client holds any positions overnight, then an applicable swap charge will apply. The swap values are clearly stated on the Company's website and accepted by the client during the account registration process as they are described in the Company's Terms and Conditions.

The swap rate is mainly dependent on the level of interest rates as well as the Company's fee for having an open position overnight. The Company has the discretion to change the level of the swap rate on each financial instrument at any given time and the client acknowledges that he will be informed of any such changes via the Company's website. The client further acknowledges that he is responsible for reviewing the contracts specifications located on the Company's website and for being updated on the level of swap value prior to placing any order with the Company.

### **Client's Acknowledgement**

The client hereby acknowledges and declares that he has read, understood and thus accepts without any reservation all the information included herein including the following:

- The value of the financial instrument (CFD or any other derivative product) may decrease and the client may receive less money than originally invested or the value of the financial instrument may present high fluctuations. It is possible that the invested capital may become of no value;
- Information on past performance of a financial instrument does not guarantee the present and/or future performance. The use of historic data does not constitute a binding or safe forecast as to the corresponding future return of the financial instruments to which such data refers.
- Some financial instruments may not become immediately liquid due to various reasons such as reduced demand and the Company may not be in a position to sell them or

easily obtain information on the value of such financial instruments or the extent of any related or inherent risk concerning such financial instruments ;

- When a financial instrument is negotiated in a currency other than the currency of the client's country of residence, any changes in an exchange rate may have a negative effect on the financial instrument's value, price and performance.
- A financial instrument in foreign markets may entail risks different than the usual risks in the markets in the client's country of residence. The prospect of profit or loss from transactions in foreign markets is also influenced by the exchange rate fluctuations.

22 July 2024

Copyright © 2022 FXGiants. All Rights Reserved

Notesco UK Limited

Tower 42, 25 Old Broad Street, London – EC2N 1HN, United Kingdom

Telephone: +44 (0) 207 416 6656 • Fax +44 (0) 207 523 5379

Website: [www.FXGiants.co.uk](http://www.FXGiants.co.uk)