

# Risk Disclosure Statement

This Risk Disclosure Statement (“the Statement”) provides you with information about the risks associated with financial instruments offered by Capital Com (UK) Limited (“we”, “CAPITAL.COM”, “the Company”) such as contracts for difference (“CFDs”) and spread bets which you (“the client”, “you”) may trade through services provided to by the Company, a company authorized and regulated by the Financial Conduct Authority (FRN: 793714) with registered office at 4th Floor 64-66 Vincent Square, London, United Kingdom, SW1P 2NU. The Financial Instruments offered by us include stocks and Contract for Difference (the “CFDs”) with underlying assets including Shares, Indices, Cryptocurrencies, Commodities and Forex.

Our services are provided on an execution only basis. We do not provide investment advice in relation to our CFDs or spread bets or Shares or our services.

A CFD is a derivative instrument priced with reference at an underlying asset price. It is noted that spread bet is quite similar to CFDs trading with a few differences, including commission, trade size etc. In particular, spread bet is a financial product through which the client agrees to exchange the difference between the opening and the closing value of the bet. Similarly, to the CFDs, spread betting involves speculation on the price movements of the underlying asset.

Both CFDs and spread bet are traded over-the-counter and no exchange or other external execution venue will be involved in the transaction. CFDs involve greater risk than investing in on-exchange products, as market liquidity cannot be guaranteed and it may be more difficult to liquidate an existing position. The prices and other conditions are set by us in accordance with our obligation to provide best execution as included in our Order Execution Policy and in accordance with our Terms & Conditions.

The services of CAPITAL.COM are available to retail clients that are individuals retail and professional clients. Both financial instruments are high risk and complex, generally used for speculative purposes, which are not suitable for many members of the public. CFDs and spread bets are not suitable for “buy and hold” trading, therefore if the client does not have enough time to monitor such investment on a regular basis, he or she should not trade in CFDs.

In addition, you can refer to the Key Information Document (hereafter “KID”), which provides you with key information about the Company’s investment products. This information is required by law to help you understand the nature, costs, risks and rewards of this product and to help you compare it with other products.

## **1. Transferable Securities – Real Stocks**

Real stocks are the part of ownership within a. specific company/incorporation. In general, the price depends on how well the company is doing, so in case the Company is doing well, then the price of share of the specific Company/Incorporation will increase and if the company does not do well, then the price will fall.

- In the event of Company is become Insolvent, then the holders of ordinary shares are the last to be paid.

- Perception Risk Share price is based on demand which depends on investors perception of the companies' future prospects, and general sentiments, if others are pessimistic about a company, the share price will fall, if you sell at that point or if price does not recover, you get back less than you put in.

## **2. Example of how a CFD works.**

Company ABC is a public company listed on London Stock Exchange. You think a listed share ABC is undervalued and that its price will rise. The price quoted is 60/65. That means you may sell at 60€ or buy at 65€. The difference between the price you can sell and the price you can buy is called “the spread”.

You decide to buy 40 CFDs in the share ABC at the price of 65€ per CFD. Your position is therefore 2600€ (40 x 65€).

Leverage allows you to trade in positions larger than your own money. So, you do not actually pay 2600€. The amount you pay depends on the margin required. If the required margin is 20% that means your minimum initial payment is 520€ (2600€ x 20%). The return you get on this initial requirement depends on the price at which you decide to close your position (that is, when you sell the CFD).

If the price of ABC decreases by 5% (from 60/65€ to 57/61.75€), you will lose the difference between opening and closing price multiplied by the size of the contract. i.e. you lose  $(65-61.75)*40=130€$ .

The only cost paid to enter into such transaction is the spread, which is 200€ [i.e.  $(65-60)*40$ ]. In addition to spread, if any position is carried overnight, there is an overnight premium that needs to be debited or credited to your account. Overnight premium rates can be found on the website and the trading app. You should be aware of the possibility that other costs may exist that are not paid through or imposed by the Company. It is your sole responsibility to bear these additional costs. Costs related to trading CFDs may outweigh the gross profits from a trade.

CFD trading is risky and not suitable for everyone. If you choose to enter a trading relationship with us, it is important that you remain aware of the risks involved, that you have adequate financial resources to bear such risks and that you monitor your positions carefully. If you are in any doubt about the risks involved, you should seek professional advice.

### **Example of how a Spread Bet works:**

Company XYZ is a public company listed on London Stock Exchange. You think that XYZ is undervalued and that its price will rise and you would like to invest in it with a Spread Bet. The price quoted is 140/145. That means you may sell at £140 or buy at £145. The difference between the price you can sell and the price you can buy is called “the spread”.

You decide to bet £10 per point on a long position. That is equivalent to a £10 profit or loss for every GBP that XYZ price will move up or down. Your position is 10 times the price i.e.  $145 \times 10=£1450$ .

Leverage allows the client to trade in positions larger than his/her own money. So, you do not actually have to own £1450. The amount required depends on the margin required. If the margin required is 20%, that means your initial requirement is £290 (1450 x 20%). The return you get on this initial requirement depends on the price at which you decide to close your position (that is, when you sell the Spread Bet).

If the price of XYZ decreases by 10% (from £140/145 to £126/130.5) you will lose the difference between opening and closing price multiplied by the bet size per point. i.e. you lose  $(145-126)*10=£190$ .

The only cost paid to enter into such transaction is the spread, which is £50 i.e.  $(145-140)*10$ . In addition to spread, if any position is carried overnight, there is an overnight premium that needs to be debited or credited to your account. Overnight premium rates can be found on the website and the trading app. You should be aware of the possibility that other costs may exist that are not paid through or imposed by the Company. It is your sole responsibility to bear these additional costs. Costs related to Spread Betting may outweigh the gross profits from a trade.

Spread Betting is risky and not suitable for everyone. If you choose to enter a trading relationship with us, it is important that you remain aware of the risks involved, that you have adequate financial resources to bear such risks and that you monitor your positions carefully. If you are in any doubt about the risks involved, you should seek professional advice.

This Statement provides a description of the risks associated with trading CFDs over-the-counter. This Statement does not explain all the risks involved in trading CFDs or how such risks relate to your personal circumstances.

CFDs and spread betting trading involves risk to your capital. You are highly recommended not to invest cash that you cannot afford to lose.

If you choose to enter a trading relationship with us, it is important that you remain aware of the risks involved, that you have adequate financial resources to bear such risks and that you monitor your positions carefully. If you are in any doubt about the risks involved, you should seek professional advice.

By entering a CFD and/or spread bet transaction with CAPITAL.COM the client acknowledges, understands and agrees that:

### **3. Trading CFDs and/or Spread Bet is highly speculative and risky.**

Trading CFDs and spread betting is highly speculative, involves a significant risk of loss and is not suitable for all investors. CFDs are a risky type of investment and can result in large losses since trading in such instruments involves leverage and therefore a relatively small movement can result to a larger movement in the value of the financial instrument. In this respect, such an event may work against you.

CFDs are only suitable for those clients who:

- understand and are willing to assume the economic, legal and other risks involved;
- are experienced and knowledgeable about trading in CFDs and spread bets and in the underlying assets; and
- are financially able to assume losses, that could be their entire invested capital.

#### **4. CFDs may not be appropriate for you.**

Before the Company opens an account for you, the Company is required to make an assessment of whether the products and/or services you have chosen are appropriate for you, and to warn you if, on the basis of the information you have provided, that any product or service is not appropriate.

We may ask you for information about your financial assets and earnings. We do not monitor on your behalf whether the amount of money that you have sent us or your profits and losses are consistent with that information. It is up to you to assess whether your financial resources are adequate and what level of risk you take.

If the client is warned that the given CFD and/or spread bet is not appropriate for him/her and still decides to deal with the Company, the client is deemed to have confirmed that he/she understands the risks involved and accepts them.

#### **5. The past performance of a CFD is not a reliable indicator.**

Past performance of a CFD is not a reliable indicator of its future performance.

#### **6. There are risks related to market liquidity.**

Liquidity risks affect your ability to trade. It is the risk that your CFD or asset cannot be traded at the time you want to trade. In setting our prices, spreads and the size limits in which we deal, we take into account the markets for the relevant underlying assets' market. Market conditions can change significantly in a very short period of time. Under certain trading conditions it may be difficult or impossible to liquidate a position.

Although the characteristics of the financial instruments are different from those of the underlying market it is worth mentioning that the relevant risks associated with trading in such products entail fluctuations in the price of the financial product and hence the profitability of your positions.

#### **7. Trading OTC entails risk.**

When trading CFDs with us the orders will not be executed on a recognized or designated investment exchange and will be executed OTC. Similarly, when trading spread bets the client understands that such transactions are executed on an OTC basis as per the prices and other order execution factors set in the Company's Order Execution Policy.

All positions entered into with us must be closed with us and cannot be closed with any other entity. OTC transactions may involve greater risk than investing in on-exchange transactions 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 OTC transaction or to assess the exposure to risk. There is no central clearing and no guarantee by any other party of our payment obligations to you, so you are exposed to credit risk with CAPITAL.COM. You must look only to CAPITAL.COM for performance of all transactions in your account and for return of any margin.

## **8. Gap risk.**

Financial markets may fluctuate rapidly and the prices of our products will reflect this. Gap risk is a risk that arises as a result of market volatility. Gapping occurs when the prices of our CFDs and spread bets suddenly shift from one level to another, without passing through the level in between. There may not always be an opportunity for you to place an order or for the platform to execute an order between the two price levels.

## **9. There are risks related to holding long CFD positions.**

Being long in CFDs/spread bet means you are buying the financial instrument by speculating that the market price of the underlying will rise between the time of the purchase and sale. As the owner of a long position, you will generally make a profit if the market price of the underlying asset rises whilst your long position is open.

You will suffer a loss, if the market price of the underlying asset falls whilst your long position is still open. Your loss will be the difference of the market price of the underlying asset at the time of purchase compared with the one at the time of the sale, multiplied by the amount of CFDs/spread bets involved. Your potential loss may therefore be bigger than the initial margin required and may be your entire deposit.

You might also suffer a loss due to the closure of your position by the Company in case you do not have enough cash on your account to maintain your position open.

## **10. There are risks related to holding short CFD positions.**

Being short in CFDs/spread bets means you are selling them by speculating that the market price of the underlying asset will fall between the time of the purchase and sale. As the owner of a short position, you will generally make a profit if the market price of the underlying asset falls whilst your short position is open.

You will suffer a loss, if the market price of the underlying asset rises whilst your short position is still open. Your loss will be the difference of the market price of the underlying asset at the time of purchase compared with the one at the time of the sale, multiplied by the amount of CFDs/spread bets involved. Your potential loss may therefore be bigger than the initial margin required.

You might also suffer a loss due to the closure of your position by the Company, in case you do not have enough cash on your account to maintain your position open.

## **11. High leverage can lead to quick losses for clients.**

The high degree of “leverage” is a distinct feature of CFDs. The effect of leverage makes investing in CFDs and/or spread bet riskier than investing directly in the underlying asset. This is a result of the margining system applicable to CFDs which generally involves a small deposit relative to the size of the transaction, so that a relatively small price movement in the underlying asset can have a disproportional impact on your trade.

A small price movement in your favor can provide a high return, however, a small price movement against you may quickly result in significant losses.

If losses occur, you may be required to pay additional funds on short notice to maintain your position open. If you fail to comply with a request for additional funds, your position may be liquidated.

**12. Stop Loss Orders cannot always protect you from losses.**

CAPITAL.COM offers you the opportunity to choose Stop Loss Orders to limit the potential losses you can incur from an open position. This option automatically closes your position when it reaches the price set by you. We do not guarantee that a Stop Loss Order will be filled at the price specified.

**13. You have an obligation to maintain margin requirements.**

The client must always maintain a minimum margin on his/her open positions. It is your responsibility to monitor your account balance. The client may receive a margin call to deposit additional cash if the margin in his/her account is too low. You may need to provide us with additional funds to meet your margin requirement on short notice to maintain your positions open. Failure to do so, may result in your positions being liquidated.

**14. Only cash settlement is available.**

The client understands that CFDs and/or spread bet can only be settled in cash and the difference between the buying and selling price partly determines the result of the investment.

**15. Failure to monitor positions entails risks.**

It is important that you monitor all of your positions closely. It is your responsibility to monitor your positions and during the period that you have any open positions you should always have the ability to access your account.

**16. Prices, margins and valuations set by CAPITAL.COM may differ from those provided elsewhere.**

CAPITAL.COM will provide the prices to be used in trading, the valuation of client positions and the determination of margin requirements. The performance of your given CFD/spread bet will depend on the prices set by us and the market fluctuations in the underlying asset to which the product relates. Each underlying asset therefore carries specific risks that affect the result of the CFD concerned.

**17. You have no rights to the underlying assets.**

You have no rights or obligations in respect of the underlying instruments or assets relating to your position. The client should understand that CFDs/spread bet can have different underlying assets, including, equity, indices and commodities. For example, in case of an equity CFD you will not receive any voting rights.

**18. CFDs and spread bets are not suited for long term investors.**

Holding a CFD/spread bet open for a long period leads to an increase in the associated costs. It may be more beneficial for the client to buy the underlying asset instead. Please refer to our Key Information Document (KID) for more information in regard to the costs associated with CFDs and spread bets.

**19. Currency risk.**

Your account with CAPITAL.COM will be held in a currency which may be different from the currency you used to deposit, accordingly you should be aware of the relevant currency fluctuations.

**20. There are risks related to the features of CAPITAL.COMs trading platform.**

Once the Client enters an order into CAPITAL.COMs trading platform (by clicking “Buy/Sell”), this is immediately executed and thereafter the Client will not be able to cancel or modify the order. This feature may be different from other trading platforms you have used in the past. You should utilize the demo account to become familiar with CAPITAL.COMs trading platform before actually trading with the Company. By using CAPITAL.COMs trading platform, even through a demo account, you agree to the one-click system and accept the risks related to the immediate execution feature.

**21. CAPITAL.COM is not your adviser or fiduciary.**

Generic market information provided by CAPITAL.COM to its clients is not intended to be and is not investment advice or personal trading recommendations. Such information is not and should not be considered as an advice to buy or sell, or solicitation of an advice to buy or sell any CFD and/or spread bet. Your decision to enter a trade in those financial instruments with the Company and your decision as to whether such transaction is appropriate for you, is your independent decision.

The Company is not acting as an advisor or serving as a fiduciary to its clients. You are responsible for managing your tax and legal affairs including making any regulatory filings and payments and complying with applicable laws and regulations. We do not provide any regulatory, tax or legal advice. If you are in any doubt as to the tax treatment or liabilities related to the products offered, you may wish to seek independent advice.

**22. Market commentary**

The generic market commentary provided by the Company (which does not constitute a personal recommendation or investment advice) is generic and based solely on the judgment of the Company’s personnel. Client acknowledges that he/she enters into any transactions relying only on his/her own judgment. The generic market commentary of the Company is based upon information believed to be reliable, but the Company cannot and does not guarantee the accuracy or completeness thereof.

**23. Your trades may be taxable.**

Your trades may be or become subject to tax and/or any other duty, e.g., due to changes in the relevant laws and regulations or your personal circumstances. The Company does not offer tax advice. The client is responsible for any taxes and/or any other duty which may accrue in respect of his/her trades.

**24. There is no guarantee of profit.**

There are no guarantees of profit nor of avoiding losses when trading CFDs. Neither the Company nor its representatives intend to provide nor can they actually provide such guarantees. The Client has been alerted by means of this Statement that risks are inherent to trading CFDs and that he/she and must be financially able to bear such risks and withstand any losses incurred.

**25. Customer may not be able to close open positions**

Due to market conditions which may cause any unusual and rapid market price fluctuations, or other circumstances, the Company may be unable to close out Customer's position at the price specified by Customer and the risk controls imposed by the Company might not work. The Customer agrees that the Company will bear no liability for a failure to do so.

**26. System failures.**

Trades in such instruments are carried out exclusively on-line (via Internet). While trading on our platform, system errors might occur. You should be aware of the risks that may result from any failure, malfunction or disruption of any transmission, communication system, computer facility or trading software, whether belonging to the Company or to any other external party, which could mean that your order may be delayed or fail.

**27. Quoting errors entail risk.**

Should a price quoting error occur (including responses to relevant client requests), CAPITAL.COM is not liable for any resulting errors in account balances and reserves the right to make necessary corrections or adjustments to the relevant account. Any dispute arising from such price quoting errors will be resolved on the basis of the fair market value, as determined by CAPITAL.COM in its sole discretion and acting in good faith, of the relevant market at the time such an error occurred. In cases where the prevailing market represents prices different from the prices we have posted on our platform, CAPITAL.COM will attempt, on a best efforts basis, to execute orders on or close to the prevailing market prices. This may or may not adversely affect the client's realized and unrealized gains and losses.

**28. There are legal & regulatory risks involved.**

A change in laws or regulations made by the government or a regulatory body may increase the costs of operating a business, reduce the attractiveness of an investment and/or change the competitive landscape and by such materially alter the overall profit potential of your investment. This risk is unpredictable and may vary depending on the market for the underlying asset of a given CFD/spread bet.

**29. The protections we receive from third parties may not be extended to you.**

Any guarantees or legal protections that CAPITAL.COM is entitled to by means of a contract with any of our consultants, business process outsourcers, vendors or any other third party or intermediary, or that are available to us as a matter of law, may not cover or protect you in case you suffer a loss or damage as a result of such third party's failure to fulfill the obligations owed to us.

**30. Client Money.**

All funds belonging to you ("client money") shall be held by us in a designated client money bank account; and are subject to a right of off-set for your liabilities towards us. The designated client money is segregated from the assets of the Company and is deemed client money for the purposes of the FCA rules. We may place your funds in our designated client money account in a different currency to your base currency. Such client money will be at least equal in value to your base currency and will be in compliance with FCA regulatory requirements. No interest will be paid in respect of client money.

**31. You are not automatically entitled to compensation under the Financial Services Compensation Scheme and the compensation is not unlimited.**

CAPITAL.COM participates in the Financial Services Compensation Scheme (“FSCS”) for clients of Investment Firms regulated by the FCA. Certain clients will be entitled to compensation under the FSCS where the Company is unable to meet its obligations towards its clients due to its financial circumstances and when there is no realistic prospect of improvement in the above circumstances in the near future. To receive compensation you will have to file a compensation claim to the FSCS in a timely manner. In any case, the compensation shall not exceed fifty thousand Pounds (GBP 50.000) per each entitled client. Whether you are able to claim depends on the type of business and your personal circumstances

### **32. Risks related to trading CFDs on virtual currencies**

- CFDs on virtual currencies are complex and high risk and as such come with a high risk of losing all the invested capital;
- virtual currencies are underlying assets that can widely fluctuate (high volatility) and may result in significant loss over a short period of time;
- CFDs on virtual currencies are not appropriate for all investors and therefore, you should not trade in such products if you do not have the necessary knowledge and expertise in this specific product;
- you should always be fully aware and understand the specific characteristics and risks related to the CFDs on virtual currencies you are planning to trade;

### **33. Special Statement for Residents of Spain.**

CFD is a product that is complex and difficult to understand. The National Securities Market Commission of Spain (Comisión Nacional del Mercado de Valores) has determined that, due to the complexity of the CFDs and the risks involved, the purchase of CFDs by retail investors is not appropriate/suitable. A CFD is also a leveraged product and the losses incurred may be greater than the amount initially invested.

### **32. Updates**

The Company has the right to amend the current Policy as per its discretion and at any time it considers it suitable and appropriate. In such an event the Company will notify the client accordingly. The Company shall review and amend the current policy at least on an annual basis. The Policy is available for review by clients upon request and it is uploaded to the Company’s website.

**By entering the Terms & Conditions with CAPITAL. COM you declare that you understand the risks related to trading CFDs, spread bets and shares (including those outlined above), that you are willing and able, financially and otherwise, to assume these risks and that the loss of your entire account balance will not be detrimental to your lifestyle.**

Capital.COM will notify clients in good time in regard to any material change to the information outlined herein. The notification shall be given in a durable medium as per the provisions of Client Agreement.