

CMC MARKETS SINGAPORE PTE. LTD.
Risk Warning Notice for CFD

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Registered in Singapore. Company Reg No./UEN 200605050E



Risk Warning Notice for CFD

Please read this document completely.

CMC Markets Singapore Pte. Ltd. (referred to below as “CMC Markets”, “we”, “us” or “our”) is committed to treating you fairly. In this notice, we provide you with information to help you understand the nature and risks of our contracts for differences (“CFD”, whether singular or plural as the case may be). However, this notice does not and cannot explain all of the risks and other significant aspects involved in investing in CFD. You should take sufficient time to read all the relevant information that we provide to you, including this notice, our Terms of Business, our Order Execution Policy Summary for CFDs, and the information on our website and the Platform.

CFD is a leveraged product and can potentially carry a high risk to your capital as prices may move rapidly against you. With leveraged products and if you invest on leverage, you can lose more than your initial investment and you may be required to make further payments. Please note that the higher the leverage rate, the higher the risks involved.

You should not enter into any transactions with us unless you fully understand the risks involved. If you are in any doubt you should seek independent professional advice.

1. CFD may not be appropriate for you

When we process your application to open an account with us we will conduct our own assessment of whether you have sufficient knowledge and experience to understand the risks involved in investing in CFD, and we will inform you of the outcome of our assessment. However, our assessment does not relieve you of the need to carefully consider whether to invest in CFD.

If we inform you that investing in CFD may not be appropriate for you, then you should refrain from investing in CFD. If you nonetheless wish to trade on CFD, you should only invest using the live account only after you have acquainted yourself sufficiently with CFD through our demo version and understood the risks involved. If you do wish to invest in CFD, you should carefully consider your investment objectives, financial situation and particular needs. If we tell you that we have insufficient information to perform our assessment, then you should consider carefully whether you still wish to proceed with your application and start investing in CFD.

2. We do not provide investment or financial advice

We do not provide investment advice relating to investments or possible transactions in investments. Any information we provide to you is purely factual and does not take into account your personal circumstances (for example, information about trading processes or minimising potential risks).

3. CFD are OTC derivatives

When you enter into any transaction with us through our Platform, you will be entering into an off-exchange (sometimes known as an ‘over-the-counter’, or ‘OTC’) derivative, which is non-transferable. This means you will enter into transactions directly with us, and also that those transactions (or ‘positions’) can only be closed with us. This involves greater risk than investing in a financial instrument such as a share which is transferable, or dealing in an exchange-traded derivative, because your ability to open and close transactions is dependent on our Platform being in a position to accept orders from you and to execute them. Therefore, as our customer investing in our CFD, you can only open and close such transactions with us and not anybody else. In certain circumstances this may not be possible (see paragraphs 7, 9 and 11 below).

In addition, all of your transactions with us are settled in cash, and you do not have any rights to any underlying instrument. Please note that you may only profit from our CFD through changes in our prices,

which is different from other assets, such as shares or currencies, where you can profit from real market fluctuations and where you may be entitled to dividends or interest.

4. We act as a market maker

Although the prices generated by our Platform will take into account current exchange and market data from various sources, they are not taken directly from any source. This means that our price may be different to any current exchange or market price, or another financial product provider's price, for the relevant underlying instrument. The profits or losses that you make from trading with us will be in relation to our prices only, and not to prices prevailing or shown anywhere else.

5. You may lose more than your deposit

When you transact with us, you risk losing more than the amount that you deposited with us. This is different to investing in other types of financial instruments, for example shares, where generally you only stand to lose the amount you pay for the asset that you buy. **Although the Platform has features that are designed to help minimise your risk of loss, none of these are guaranteed or will be made available at all times and you should not rely on them.**

Losses from your transactions: The amount of any loss for an individual transaction will be the amount that you owe us when that transaction is closed. Even over a short space of time this amount may exceed the amount of the deposit that you used to enter into the transaction. This is a feature of leveraged (also known as 'geared' or 'margined') instruments – you can lose more than your initial payment.

Leverage can lead you to participate over-proportionally in market fluctuations (both as profits made or losses incurred). For illustration only: If you choose a leverage rate of 10, then any market fluctuation will have an impact which is ten times higher than if you had traded without leverage or invested directly into the underlying instrument.

Consequently, the higher the leverage rate, the higher the risk involved.

Therefore, the impact of any price movement on your account will depend on the transaction size as well as the leverage rate of your transaction, rather than the amount of your transaction deposit. So a small movement in price may have a large impact on your account if you have entered into a large transaction on margin. In addition, when entering into short transactions it is possible to lose more than the transaction value, since any increase in price may be more than the price at which you opened the transaction. Therefore, short transactions can be riskier than long transactions.

Costs incurred through investing: Depending on the transactions you enter into, and how long you hold them for, we may require you to pay transaction holding costs. These transaction holding costs will be incurred on a daily basis (and are subject to amendments) when you keep a transaction on certain of our products open overnight. In some cases, and particularly where you keep transactions open for a long time, the aggregate of these transaction holding costs may exceed the amount of any profits or increase your loss. Please refer to our Terms of Business for further information on how transaction holding costs are calculated.

6. Your transactions are at risk of being closed automatically

It is your responsibility to monitor your positions closely and at all times, and you will be able to monitor your Account Value through the Platform. You must ensure that your Account Value, at all times, is equal to or above the aggregate Minimum Margin Requirement for all Leveraged Transactions, otherwise any or all your transactions in your account with us (and not just such leveraged transactions or those which are making a loss) may be closed in accordance with the Terms of Business. The Close-Out Level is 20% (or at such other level as we may stipulate from time to time) of the aggregate Minimum Margin Requirement for all Leveraged Transactions. However, **we do not guarantee such closure and you must not rely on it.** (The automatic closure of your Transactions is aimed to prevent you incurring any further losses and may close all positions on your account, not just leveraged transactions or those that are

making a loss. This means that your losses (and any profits) will be realised, even if the price movements against you are only temporary.)

To prevent closure of your transactions, you should deposit a sufficient amount of money into your account to cover any potential losses or costs from your transactions. It is important to note that even an amount that you previously deposited and which appeared to be more than sufficient at the time, can very quickly become insufficient due to rapidly changing market conditions.

In addition, if the 'transaction based stop loss' function is on or kept enabled, the Platform will automatically attach a stop loss to each transaction, and will seek to close any transaction that incurs losses in excess of the relevant Margin requirement, unless you specify otherwise. However, execution of such orders **is not guaranteed and you must not rely on them.**

7. Market circumstances may impact your transactions

The ability of our Platform to generate prices and execute orders is dependent on the availability of prices and liquidity in the exchanges, markets and other venues from which we gather data. In addition, because we maintain our own financial stability by hedging with other counterparties, we may be unable to execute your orders where we cannot enter into a corresponding transaction to hedge our own risk (for example, due to the activities of an issuer of shares to which your transactions relate, which can sometimes restrict the market liquidity in those shares). Therefore, market circumstances may impact on your ability to place an order or close a transaction with us. In contrast, if we enter into a corresponding transaction, to hedge our risk, this may have an influence on the underlying market conditions and consequently also on the prices we quote on the Platform and your account.

Financial markets may fluctuate rapidly and prices of our products are no exception. Any movements in our prices will have a direct and real time effect on your account.

One form of price volatility that can happen regularly is called 'gapping'. This occurs where there is a sudden shift in price from one level to another. This can be caused, for example, by unexpected economic events or market announcements, particularly where these occur outside trading hours. There may not always be an opportunity for you to place an order between the two price levels, or for the Platform to execute an open order at a price between those two levels. Certain markets also have limited trading hours which can impose a significant risk to your ability to place orders and close transactions.

8. The Price of a Transaction may be different from the Price displayed on the Platform when you place an Order

There is the risk that the price displayed on your device when you place an order and on the basis of which you wish to place an order is not identical to the price at which the transaction is executed, and that the corresponding difference puts you at a disadvantage. We generally attempt to generate prices on a continuous basis but technical conditions (e.g., the transfer rate of data networks) may lead to a change in the applicable price during the period between the time the order is placed by you and the time the relevant order is received by us or the order is executed by the Platform. Such changes are based on the continuous automatic calculation of the applicable price by the Platform which is based on market data of exchanges, markets and other trading investment platforms. This means such changes are indirectly based on fluctuations in the financial markets rather than on arbitrary interventions made by us. If such changes occur, the order is generally executed at the price applicable when the order is executed by the Platform. Such movements in the prices may either be to your disadvantage or have a favourable impact. You can limit the effect of such movements in prices by using the Boundary feature (on orders where this is available) or by placing a Limit Order.

9. Technical risks and other circumstances may affect your transactions

There is a risk that other circumstances may prevent us from executing orders, or prevent you from accessing our Platform. These include, for example, system errors and outages, maintenance periods, internet connectivity issues and/or failures of third parties on whom you or we are dependent (for

example, internet service providers or electricity companies). We have business continuity measures in place to deal with some of these issues, but in some circumstances you may not be able to access the Platform. These technical risks and other circumstances can pose a significant risk to the execution of your Orders.

10. Different products pose different risks

We offer numerous products, which are derived from very different underlying instruments. Each of these products poses specific risks which can differ widely from other products, for instance with regard to the range and speed of price fluctuations or with respect to the liquidity. Therefore, you should ensure that you understand the specific risks of a product before you open a transaction on that product.

Where a product is based on multiple underlying instruments (a 'basket' product), this will have an impact on the risk of the product. The risk involved in a basket product will depend on the risks involved in its constituents. If the basket constituents share similarities (for example they all relate to the same sector or country) then this can make the product riskier. Also, if riskier constituents are given a higher weighting within the product, this will make the product riskier. If you choose to use a basket product then you should make sure that you understand the risks involved in all the different constituents, the risks involved in the overall combination of constituents that make up the product, and the risks involved in how the constituents are given their respective weightings.

11. Foreign markets add further risks

Foreign markets will involve different risks from Singapore markets. In some cases those risks will be greater, for example where those foreign markets are less well supervised, have greater or more rapid market fluctuations or when those markets are less liquid. This can impair our ability to generate prices. The potential for profit or loss from transactions relating to foreign markets will also be affected by fluctuations in foreign exchange rates.

In particular, if you are trading in a product that is denominated in a currency different to your Account Currency, any Margin requirement, holding costs, and Realised Losses or Realised Profits and Unrealised Profits or Losses will be converted to your Account Currency at the CMC Currency Conversion Rate at the relevant time (and in respect of Unrealised Profits or Losses, in real time). Depending on the CMC Currency Conversion Rates (which may be different to those available elsewhere) and currency fluctuations, this may have an impact on your Account Value on an ongoing basis (and therefore on whether or not your transactions might be automatically closed), and on any eventual profits that you make or losses that you incur.

12. You should not finance your Transactions with us on credit

If you fund your transactions with us with credit (e.g. a bank loan), your risk will be significantly increased and if you make a loss using that money, you will still have to repay your credit including interest. Therefore, you must not rely on being able to redeem borrowed funds with any profits from transactions with us.

13. Past performance is not necessarily indicative of future performance

You should bear in mind that past performance is not necessarily indicative of future performance and is no guarantee of future results. Any past performance, simulation or prediction does not constitute a reliable indicator of future performance. Therefore, you cannot and must not rely on such past performances, simulations or predictions to indicate future performances.

14. We cannot guarantee protection of your money

Subject to Applicable Law, money that we hold on your behalf will be held in a segregated client money bank account separate from our own money, although this may not provide complete protection (for example, if the bank that we use becomes insolvent). Money that is owed by you to us under our

agreement will be transferred from the segregated client money bank account to our own account and then be treated as our own money.

15. Tax treatment may vary

The tax treatment of your trading activities depends on your individual circumstances, and may be subject to change in future.

16. Access to the trading investment platform via mobile applications

The functions that enable you to access the Platform via mobile applications (such as “apps”) may not be identical to the functions available to you when accessing the Platform via a desktop computer. This may adversely affect your ability to take quick and reliable actions on the Platform and to limit the related risks.

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