

HFM Investments Ltd
RISKS ASSOCIATED WITH TRANSACTIONS IN
DERIVATIVE FINANCIAL INSTRUMENTS (CFDS)

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1. Introduction

- 1.1. This risk warning notice (herein the “**Notice**”) is provided to the Company’s Clients and any Prospective Client who is willing to enter into an agreement with the Company for opening a trading account with the Company, under the provisions of the Law as amended from time to time.
- 1.2. The Clients and any Prospective Clients must read carefully this notice which is easily accessible on the Company’s website before deciding to open a trading account with the Company and before commencing any trading activity with the Company.
- 1.3. It is noted that this Notice and the General Risk Disclosure document found on the Company’s website cannot and do not disclose or explain all of the risks and other significant aspects involved in dealing in Derivative Financial Instruments offered by the Company for (such as CFDs). The Notice was designed to explain in general terms the nature of the risks involved when dealing in Financial Instruments on a fair and non-misleading basis, according to the Law. The Client should be aware of all the risks associated with trading in CFDs and seek advice and consultation from an independent financial advisor if he has any doubts. The Company does not provide such advice. If the Client does not understand the risks involved in trading in CFDs, he should not trade at all.
- 1.4. This disclosure is a necessary addition to your client agreement with HFM Investments LTD and should be acknowledged and signed by you.

2. Definition

- 2.1. “**CFDs**” or “**Contract for Differences**” is an agreement between two parties to exchange the difference between the opening price and closing price of a contract including but not limited to shares, currencies, commodities and index. CFDs provide Investors with all the benefits and risks of owning a security without actually owning it.

3. Leverage /Margin Trading

- 3.1. The Client and/or any Prospective Client thereof fully acknowledge and accept that,

regardless of any information which may be offered by the Company, the value of the CFDs provided by the Company may fluctuate downwards or upwards and it is not unlikely that the investment may become of no value. This is due to the high degree of “gearing” or “leverage” feature of CFDs. This stems from 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 your trades. Any leverage you utilise will amplify your losses and you may rapidly lose all the funds or property you deposited as margin.

4. Volatility of price and limitation on the available market

- 4.1. CFDs provided by the Company are derivative financial instruments, the price of which is derived from the price of the Underlying asset, which the CFD refers to. Derivative Financial instruments and the relevant markets can be highly volatile. The prices of CFDs and the Underlying assets may be volatile and unpredictable and may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the Company or the Client. Those movements will affect the Company's prices, whether or not the Client can open or close a position and the price at which the Client can do so. So, under certain market conditions, it may be impossible to execute any type of Order at the declared price. Therefore, even ‘stop-loss orders’, whereby the Client's trade will be executed only when the CFD you want to buy or sell reaches a particular price (the stop price), cannot guarantee the limit of loss. ‘Stop-loss orders’ are not guaranteed to be filled at the price you state. Once the ‘stop-loss orders’ has been triggered, it turns into a market order, which is filled at the best possible price. This price may be lower than the price specified by the ‘stop-loss orders’. The prices of CFDs 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.

- 4.2. Some of the CFDs underlying assets may not become immediately liquid as a result of reduced demand for the underlying instrument and Client may not be able to obtain the information on the value of these or the extent of the associated risks.
- 4.3. Trading in CFDs is speculative and involves a high degree of risk. In particular because it will be conducted using a margin (which covers only a small percentage of the value of the underlying asset being traded), as such, even small price changes in the underlying assets of CFDs can result in significant losses. You should be aware that by trading with CFDs you may lose the margin held at the Company that serves for the purposes of collateral for opening and maintaining your trading positions.
- 4.4. Transactions in the derivative Financial Instruments provided by the Company are not undertaken on a recognized exchange, rather they are undertaken through the Company's Electronic Trading Platform and, accordingly, they may expose you to greater risks than regulated exchange transactions. The terms and conditions and trading rules are established solely by the counterparty, which in this case is the Company. You may be obliged to close an open position of any given Financial Instrument during the opening hours of the Company's Electronic Trading Platform.

5. Total Loss might exceed the Initial Amount

- 5.1. The Client acknowledges and understands that risk of loss arising from trading in CFDs can be substantial and the Client might lose more than the Initial Amount and any additional amounts, including the Margin Requirement as explained below in paragraph 7. While CFD trading typically only requires depositing a small percentage of the total trade volume (the margin requirement), profits and losses can quickly exceed the Margin Requirement, requiring the margin requirement to be adjusted at the initial amount.
- 5.2. The Client is personally responsible for all losses resulting from these positions and in some cases you may lose more than you deposited. In instances where Clients lose more than their margin deposits, the Company may seek to recover these losses in an appropriate forum, such as a court of law.

6. Additional obligations

- 6.1. The Client and/or Prospective Client shall be obliged to obtain details of all commissions and other charges for which he will be liable, before he begins trading with the Company. Such information can be found on the Company's Website(s) and/or to the uploaded legal documentation on the Company's website(s). If any charges are not expressed in money terms (but, for instance, as a dealing spread, the Client and/or Prospective Client should obtain a clear written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms.
- 6.2. When the Client engages in CFD trading, the Client is placing a trade in relation to movements of prices set by the Company. Prices quoted to the Client by the Company will include a spread, mark-up, or mark-down when compared to prices that the Company may receive or expect to receive if it were to cover transactions with the Client by a trade in the interbank market or with another counterparty. The Client is advised by the Company that the total impact of spreads may be significant in relation to the size of the margin the Client deposits and may make it more difficult for the Client to realise a profit from the Client's trading. The Client should carefully consider the effect of spreads, mark-ups, or markdowns on the Client's ability to profit from trading.
- 6.3. The value of open positions in the CFDs provided by the Company is subject to financing fees. The price of long positions in Financial Instruments is reduced by a daily financing fee throughout the life of the CFD. Conversely, the price of short positions in CFDs is increased by a daily financing fee throughout its life. Financing fees are based on prevailing market interest rates, which may vary over time. Details of daily financing fees applied are available on the Company's Website(s).
- 6.4. The Client should take reasonable care to maintain sufficient available funds to avoid negative account equity due to position size and overnight financing fees, especially when trading CFDs on cash indices and CFDs on shares where financing fees are being applied to reflect corporate actions.
- 6.5. The Client should be aware that his trades in CFDs may be or become subject to tax and/or

any other duty for example because of changes in legislation or the Client's personal circumstances. The Company does not warrant that no tax and/or any other stamp duty will be payable. The Client will be responsible for any taxes and/or any other duties which may accrue in respect of his trades.

7. Margin requirements

- 7.1. The Client should be aware of the implications of CFD Transactions and in particular the specific margin requirements which are applied thereto. The Client is required to deposit funds in his trading account in order to open a position and the funds should reflect the specific margin required. The Client shall be informed of the specific Margin requirement for each individual account before he begins trading; such information is available to the Client upon completion of the necessary information required by the Company to approve him as a Client of the Company.
- 7.2. Additionally, the Client acknowledges, agrees and understands that the maximum leverage for a copy trading account shall be automatically adjusted without any prior notice to the Client by taking into consideration the trading account's equity (i.e. Balance + Floating Profit & Loss + Swap + Commission) as follows:

A. Copy Trading Accounts*

Trading Account's Equity (Excluding Copy Cent) (USD) **	Maximum Leverage
0 - 299 999.99	1:400
300 000.00 or more	1:200

Copy Cent Trading Account's Equity (USD) **	Maximum Leverage
0 - 49,999.99	1:400
50,000.00 or more	1:200

*Leverage adjustments apply to Follower Trading Accounts that copy any Strategy Provider of other entities of HFM Group, and not of the Company.

**Combined with total equity of the Strategy Provider and all of his Followers.

- 7.3. The Company reserves the right at its sole and absolute discretion to reduce the leverage to 1:300 for any CFD product offered by the Company prior to and/or during and/or after earnings announcements, news announcements and open and close of trading sessions.
- 7.4. Margin requirements will depend on the Underlying asset of the CFD, level of leverage chosen and the value of position to be established.
- 7.5. The Company will not notify the Client of any 'Margin Call' to sustain a loss-making position.
- 7.6. Where a Client maintains fully hedged positions, defined as equal buy and sell volumes in the same financial instrument, no margin requirement shall apply to the hedged portion of such positions. Margin shall be required solely in respect of any net (uncovered) position where applicable. This provision shall apply to all tradeable financial instruments.
- 7.7. The Company has the discretionary right (a) to start closing positions when 'Equity' decreases to about 50% of the used 'Margin' for any particular Financial Instrument, and (b) to close automatically all positions at market prices, when 'Equity' level decreases to 10% of the used Margin level (for Micro Accounts) and below 20% of the used 'Margin' level for all other remaining accounts.

8. Potential Conflicts of Interest

- 8.1. While it is not feasible to define an exhaustive list of potential conflicts, the following includes circumstances which constitute or may give rise to a conflict of interest: (a) The Company executes orders based on quotes provided by the Company; (b) Prices may be determined without reference to a relevant benchmark or market; (c) The company may be matching the Client's Order with that of another Client by acting on such other Client's behalf as well on the Client's behalf; (d) The company may receive or pay inducements to or from third parties due to referral of new Clients or Client's trading; (e) The Company may use entities which are members of its group as counterparties to certain transactions; (f) Where the remuneration of third parties (tied agents or affiliates) is based on the trading activity of clients referred to the Company, which may incentivize prohibited marketing tactics and the use of misleading information.

- 8.2. Clients have the right to object to conflicts of interest and acceptance of this Risk Disclosure document will be taken as a positive affirmation of acceptance of aforementioned potential conflicts.

9. Review

- 9.1. The Company reserves the right to review and/or amend its Risk Disclosure statements, at its sole discretion, whenever it deems necessary, without prior notice to the Client.

10. Client Declaration

- 10.1. The Client hereby acknowledges, confirms and accepts that by entering into an Agreement with the Company and every time he decides to place an Order in a CFD, that he runs a high risk of incurring losses and damages as a result and declares that he is willing to proceed with this kind of trading and undertakes such risks.
- 10.2. It is responsibility of the Client to consult with your legal and other professional advisors before committing to any transaction or binding agreement in relation to these products.

WARNING: It is emphasized that dealing in (CFDs) is not appropriate for all Clients. You should not engage in any dealings directly or indirectly in CFDs unless you understand the features and risks involved in them and that you may lose all your capital entirely and possibly also incur additional charges.

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