Risk Disclosure Notice

Pepperstone International Markets Limited

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Risk Warning: trading leveraged products like Margin FX and CFDs puts your capital at risk.

1. Scope of This Notice

1.1 Pepperstone International Markets Limited ("Pepperstone", the "firm", "us", "we" and "our") provides you with this 'Risk Disclosure Notice' (the "Notice") to help you understand the risks that might arise when trading Contracts for Difference ("CFDs"). This Notice is non-exhaustive, and you need to bear in mind that it doesn't contain all the risks and aspects involved in trading CFDs or how the risks relate to your personal circumstances. You should carefully read this Notice in conjunction with our Terms and Conditions, Order Execution Policy and other documents and information available to you through our website, in light of your personal circumstances, before deciding to open an account and trade with us. We recommend that you seek independent advice if you're unsure.

2. Appropriateness Assessment

2.1 As part of our account-opening process we'll carry out an assessment of your appropriateness to trade CFDs and determine, based on information you provide to us, if you have sufficient knowledge and experience to understand the risks involved in trading CFDs. We'll inform you of the results of our assessment, but this doesn't relieve you of the need to carefully consider whether trading CFDs is right for you. If we warn you that trading CFDs may not be appropriate for you, then you should refrain from trading CFDs until you obtain sufficient knowledge and experience and have acquainted yourself with the relevant trading risks. For example, you may trade CFDs on a demo account to build your knowledge and experience before trading CFDs in a live environment.

3. Nature of CFDs

3.1 CFDs are over-the-counter ("OTC"), otherwise known as "off-exchange", derivative products. While some OTC markets are highly liquid, transactions in OTC or "non-transferable" derivatives may involve greater risk than investing in on-exchange derivatives because there's no exchange market on which to close out an open position. It may not be possible to liquidate an existing position, to assess the value of the position arising from an OTC derivative transaction or to assess the exposure to risk. Bid and offer prices don't need to be quoted, and, even if they are, they'll be established by dealers in these instruments. Consequently, it may be difficult to establish what a fair price is.

3.2 A CFD derives its value from the value of an underlying asset – for example, the value of one particular currency against another, the price of a share, a market index or a particular commodity.

3.3 We offer a number of different types of CFDs, including margin foreign exchange ("FX") contracts and CFDs based on indices, shares, precious metals, energy and soft commodities. For a full list of the CFDs that we offer, please visit our website.

3.4 CFDs can be traded in many currencies, so you should check the CFD description within the platform before you trade.

3.5 When you trade CFDs, you're taking a position on the change in value of the relevant underlying asset over time. In other words, you're speculating on whether the value of the underlying asset is going to rise or fall in the future, compared to when you opened (or executed) your contract. ***You don't own or have any rights in the underlying asset associated with a particular CFD.***

3.6 The amount of profit or loss that you experience when you trade a CFD will be the difference between the price when you open the contract and the price when it's closed-out (adjusted to reflect holding costs, where these apply). If the value of the CFD has moved in your favour, we'll pay money into your trading account. If it moves against you, we'll deduct money from your trading account

3.7 While you have open contracts, you may also attract financing costs or swap charges after each rollover (5pm New York time). The costs you'll incur depends on the underlying asset that you're trading and are subject to change. We explain our fees and other costs in more detail on our website.

4. Prices and Costs

4.1 The prices of CFDs that you trade with us may include a mark-up; this means that the spreads offered by us comprise of (i) the raw spreads received from liquidity/ price provider(s) and (ii) a mark-up (where applicable).

4.2 Our dealing costs are set out in writing on our website. If you have any queries about costs, please contact our support team by email at support@pepperstone.com.

4.3 We make costs as transparent as possible. OTC derivative products are traded at prices which the firm obtains from third party liquidity/price providers. You'll be charged as a percentage, or basis points, of the total position size traded - your costs aren't relative to the deposit or margin you've used. We'll charge you where indicated on a per transaction basis.

4.4 Minimum charges can be relevant for smaller trade sizes and there are also charges associated with overnight financing of positions – we'll provide all of this in writing to you before you open your account.

4.5 Costs may be included in the transaction price of margin FX products. In this situation, we'll stipulate the size of the bid/offer spread quoted depending on the product(s) that you want to trade.

4.6 Pepperstone does not act as a market maker when executing client trades which means that we match all client trades with our counterparty Pepperstone Group Limited. Pepperstone does not profit from any client losses. In addition, we don't take any proprietary positions in the market and our advice and research is completely impartial.

4.7 The prices published on our trading platforms are derived from the prices of the relevant underlying instruments.

4.8 You shouldn't fund your trading account using money obtained from any credit facility (including bank loan or otherwise). It's important for you to note that your overall risks will be significantly increased if you do this. For instance, if you incur a loss on your trades, you'll still have to repay the amount you borrowed plus any interest or other costs.

5. Leverage and Required Margin

5.1 Trading CFDs enables you to use leverage to open a trade by depositing a fraction of the total trade value; this means that a relatively small market movement may lead to a proportionately much larger movement in the value of your trade. You can trade Margin FX Contracts and other CFDs with a high degree of leverage because of the small margin requirements. Trading with leverage means that even a slight change in the market could leadto a proportionately much larger movement in the value of your investment. Please also be aware that commission is paid on a pro rata basis, based on the size of your notional position.

5.2 If the market moves against you, your use of leverage means that you could lose the capital in your account.

5.3 You should note that any changes made to your leverage level, on an already traded account, can immediately affect your open positions and may result in a stop-out.

5.4 It's your responsibility to monitor the required margin of your open positions and in order to avoid a stop-out you may have to fund your account.

6. Volatility

6.1 Derivative markets generally can be highly volatile (i.e. they move up and down in value quite quickly) so the risk that you'll incur losses when you trade in derivatives Contracts can be substantial.

6.2 High volatility means the markets can be very difficult to predict. This means that you shouldn't consider any contract offered by us or any other financial services provider to be a "safe" trade.

6.3 In times of extreme volatility, pricing of contracts can be impacted as the source of that pricing (liquidity) dries up. This can mean, for example:

(a) the market "gaps" and jumps past the price that you want or expect;

(b) the underlying bid/ask spread widens (i.e. the gap between the buy and sell price is wider); and

(c) you could even find it difficult to obtain a price for particular contracts.

6.4 We pass on any pricing re-quotes directly to you, without any bias towards the direction the pricing has moved in.

6.5 Highly volatile market conditions can make it difficult for us to execute orders at the given price, due to an extremely high volume of orders and/or available liquidity. By the time we're able to execute orders, the bid/offer price may be reset. This may mean that certain orders at this time are rejected.

6.6 "Hanging Orders" can also occur during periods of high volume. A Hanging Order is when an order sits in the "orders" window of the platform after it's been executed. Generally, the order has been executed, but it's simply taking a few moments for it to be confirmed. During periods of particularly heavy volume, it's possible for a queue of orders to form, and the increase in incoming orders can sometimes create a delay in confirming certain orders.

6.7 There are times when orders may be subject to what's known as "slippage", because of an increase in volatility or volume. This happens most often during fundamental news events or "gapping" in the markets, which create conditions where orders are difficult to execute because of extreme price movements.

6.8 The execution of your order always depends on the liquidity that's available at all price levels. Although you may be looking to execute at a certain price, the market may have moved significantly or liquidity may be exhausted, in which case your order would be filled at the next best price or the fair market value.

6.9 When you're considering executing an order, please be mindful that all contracts that you have open at 23:59 (server time) will be subject to rollover. Your contracts will be rolled over by debiting or crediting your account with a rollover charge or rollover benefit. During the rollover period, trading may be disabled for 2 to 5 minutes and there may be widened spreads as liquidity reduces, which could cause you to experience losses or gains. We're not liable for any losses that you incur during the rollover period.

7. Stop losses not guaranteed

7.1 You're responsible for monitoring your account and taking steps to limit your losses. We encourage you to employ "stop-loss orders" to minimise your risk, but it's important for you to note that stop-losses aren't guaranteed. If there are instances of illiquidity, slippage or the market gaps up or down, your exit price could deviate significantly from your intended stop-loss price.

8. Foreign Exchange Risks

8.1 If you're trading in a product that is denominated in a currency other than the currency of your trading account, you'll be impacted by foreign exchange movements. Please refer to our Terms and Conditions of service for more information on how we treat different currencies.

9. System Risks

9.1 We run an online platform in an environment (the internet) that by nature can't be guaranteed. This means there may be issues with you placing orders or with your contracts being executed due to internet, system or network issues on your end. Because we can't promise that the internet will work error-free, we can't accept liability for the risks associated with the operation of our platform. For this reason, you need to be mindful that platform risks are inherent in every contract that you trade with us.

9.2 For example, a technical issue with your internet connection to our servers, may result in a Hanging Order and a delay in executing your contract. A disturbance in the connection path can sometimes interrupt the signal and disable the platform, causing delays in transmission of data between the platform and our servers.

9.3 Disruptions to our operational processes such as communications, computers, computer networks, software or external events could also lead to delays in the execution and settlement of your Contract, meaning that you might be unable to trade in a particular contract that we offer and you could suffer a financial loss or opportunity loss as a result.

9.4 If you experience a disruption to our trading platform, then you must contact our Support team as soon as possible in order to open\close your position.

10. Client Money

10.1 Any money that we hold on your behalf will be kept in one or more segregated accounts with an institution within or outside The Seychelles, separated from our own money.

10.2 Your client money won't be kept separate from other client's money in this account, therefore you won't have a claim against a specific sum in a specific account, in the unlikely event of our or the bank's insolvency. Instead, your claim may be against the client money held in our segregated account.

10.3 In general, accounts held with institutions face various risks, including the potential risk of being treated as one (1) account in case the institution defaults. Under such circumstances, the enforcement of the national deposit guarantee scheme may be applied without consideration of the ultimate beneficial owners of the bank account. Another risk might be that the funds in the bank account may be exposed to our obligations to other Clients if we're unable to meet them. We're not liable to you if the bank we use to hold client money becomes insolvent and you have no redress against us in this situation.

11. No Advice

11.1 We provide you with our products and services on an execution-only basis – which means that you're solely responsible for any decisions that you make in relation to our products and services.

11.2 We're not a financial advisor nor do we provide any regulatory, tax or legal advice. Sometimes we'll provide you with general factual information about the market and how our various products and services work. Any information and analysis that we provide you is general in nature and doesn't take into account your or your client's personal objectives, financial situation or needs. You shouldn't regard any of the information that we provide to you as an investment recommendation or an offer to make a transaction.

11.3 Tax benefits are subject to change and depend on your individual circumstances. We recommend that you seek specialist advice if you're unsure about any of these matters.

12. Corporate Actions

12.1 If your contract is the subject of a corporate action such as rights issues, takeovers, mergers, we'll decide what adjustment, if any, will be made to your contract or your order to:

(a) preserve the economic equivalent of the rights and obligations of you and us in relation to the contract immediately before the corporate action took place; and/or

(b) replicate the same effect of the corporate action on your contract that it would have on someone with an interest in the relevant underlying asset. This may include closing-out a contract or opening a new contract.

13. Regulatory and Legal Risks

13.1 Changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have a material adverse effect on your dealings in OTC derivative products. We'll do our best to let you know whenever a change in legislation will impact the way that you deal with us.

14. Past Performance

14.1 Past performance, simulation or prediction of CFDs does not constitute an indication of future results. You should note that the value of your investment can decrease (as well as increase) as the market price of the underlying asset may fluctuate downwards (or upwards).

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