

**NAGA Markets Ltd**

**Risk Disclosure and Warnings Notice**

August 2018

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## **1. Introduction**

- 1.1. NAGA Markets Ltd (hereinafter “the Company”) is a Cypriot Investment Firm (“CIF”) registered with the Registrar of Companies in Cyprus under number HE 251168 and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under license number 204/13.
- 1.2. The Company is operating under the Cypriot Law L. 87(1)/2017 titled “Investment Services and Activities and Regulated Markets Law of 2017” which transposed the European Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as the same may be in force from time to time and modified or amended from time to time (hereinafter “MiFID II”).
- 1.3. This Risk Disclosure is provided to All Clients and prospective Clients in accordance with the requirements of the above legislation because the Clients consider the use, or are already using the services of the Company, to enter into transactions in financial instruments provided by the Company (hereinafter “supported financial instruments”, “financial instruments” or “products”).
- 1.4. All Clients and prospective Clients should carefully read the following risk disclosure and warnings contained in this document, before applying to the Company for a trading account and before they begin to trade with the Company. However, it is noted that this document cannot and does not disclose or explain all of the risks and other significant aspects involved in dealing in Financial Instruments. 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.
- 1.5. This document forms an integral part of the Client Agreement between the Client and the Company.

## **2. Acknowledgment and Acceptance**

- 2.1. In consideration of the Company agreeing to enter into a business relationship with the Client or prospective Client and offer any kind of financial instruments and/or investment services, the Client hereby acknowledges, understands and agrees with the risks and warnings included in this document and warrants that they are willing and able, financially or otherwise, to undertake the risk of incurring losses and damages when trading in the financial instruments offered by the Company.

### 3. Trading on Margin and Leverage

- 3.1. The Company provides leverage for Clients to trade on margin. For example, a trading contract on leverage of 30:1 will only require 3.33% of the contract's value as an initial margin. Small movements in the underlying instrument's price will result in large potential gains or losses for the Client.
- 3.2. The Company offers to its Retail Clients fixed leverage ratios which vary from 1:2 to 1:30 according to the volatility of the underlying financial instrument, as follows:

CFDs on the following financial instruments	New margin rates (leverage levels)
Major FX – Currency pairs composed of any two (2) of the following: USD, EUR, JPY, GBP, CAD and CHF	3.33% (30:1 leverage)
Other FX – All other currency pairs	5% (20:1 leverage)
Gold (XAUUSD)	5% (20:1 leverage)
Major indices – EURX50, GERMAN30, UK100, FRENCH40, JPN225, US30, SPX500, NAS100, EU50#, DE30#, FTSE100#, FRA40#, JAP225#, DJ30#, US500#, US100#	5% (20:1 leverage)
Minor indices – All other indices (N25, ES35, SUI20, NED25#, SPA35#, SWI20#, W20#)	10% (10:1 leverage)
Commodities, other than Gold (XAGUSD, USOUSD, UKOUSD, OIL#, OIL.WTI#)	10% (10:1 leverage)
Shares and ETFs	20% (5:1 leverage)
Cryptocurrencies	100% (1:1 leverage)

For example, if a retail Client wants to open a position on EUR/USD worth of USD 30,000 and for which the fixed leverage ratio offered is 1:30, then the Client would only need to use USD 1,000 (i.e. USD 30,000 / 30) of their funds to do so.

- 3.3. Trading on margin enables Clients to achieve high potential profits but also increases the risk of high potential losses. All Clients are warned that as a general rule, higher leverage increases the risk of high losses. Trading on margin carries very high risks and the Company strongly advises all Clients to carefully consider the proper level of leverage for their trading style, objectives, and

risk appetite and to seek independent advice where necessary.

- 3.4. The maximum leverage of each Financial Instrument has been indicated on the Company's website. Any mention of a specific margin requirement is of indicative nature and it shows the usual margin requirement value under normal market conditions. The Company explicitly warns all its Clients that depending on the market conditions, it can increase or decrease margin requirements without prior notice.
- 3.5. There may be circumstances where there is low liquidity in a financial instrument and/or where the Client has a large position and, therefore, it is not possible to close their open trades immediately. During that time, the value of the Client's open trades could fall, possibly by a significant sum, and they will be liable for the full amount of the losses that arise.
- 3.6. The Client is required to deposit a margin with the Company in order to open a trade. The margin requirement will depend on the underlying instrument of the derivative Financial Instrument, the level of the Client's leverage and the value of position to be established. When the margin level required to maintain the open position(s) in the Client's trading account falls below the minimum margin requirement, as specified by the Company, the Company may, but shall have no obligation whatsoever, issue a 'margin call' and in this case the Client will have to either increase the 'equity' in their trading account by depositing additional funds and/or close their positions. If the Client does not perform any of the aforementioned and the trading account reaches or falls below the 'stop out level', as this is specified by the Company, the automatic 'stop out mechanism' will be initiated and will start closing the open positions at the current market prices, in descending order on the basis of level of loss of each trade. The Company guarantees that there will be no negative balance in the Client's account when trading in financial instruments provided by the Company due to the Negative Balance Protection offered by the Company.

#### **4. Charges and Prices**

- 4.1. The Provision of Services by the Company to the Client is subject to fees, available on the Company's website. Before the Client begins to trade, they should obtain details of all fees, commissions, and charges for which they will be liable. It is the Client's responsibility to check for any changes in the charges.
- 4.2. If any charges are not expressed in monetary terms (but, for example, as a percentage of contract value), the Client should ensure that they understand what such charges are likely to amount to.
- 4.3. The Company may change its charges at any time.

- 4.4. There is a risk that the Client's trades in any Financial Instruments they trade may be or become subject to tax and/or any other duty for example because of changes in legislation or their personal circumstances. The Company does not warrant that no tax and/or any other stamp duty will be payable.
- 4.5. The Company does not offer tax advice.
- 4.6. The Client is responsible for any taxes and/or any other duty which may accrue in respect of their trades.
- 4.7. It is noted that taxes are subject to change without notice.
- 4.8. **Prices are set and provided by the Company and may be different from the prices reported elsewhere.**
- 4.9. It is noted that the Company's prices in relation to the financial instruments to be used in trading are set and provided by the Company itself and may be different from prices reported elsewhere. The Company's trading prices/rates are the ones at which the Company is willing to sell Forex/CFDs to its Clients at the point of sale. As such, they may not directly correspond to real-time market levels at the point in time at which the sale of Forex/CFD occurs.

## **5. Risk Warning**

- 5.1. The Client ensures that they understand that trading in the financial instruments offered by the Company is highly speculative and is categorized as high-risk investments due to their derivative nature and no guaranteed return. Therefore, the Client or prospective Client must ensure that they understand the risks involved for each one of the financial instruments offered by the Company, considering their level of knowledge and experience. The Client should not risk more capital than they are prepared to lose. Consequently, before applying for a trading account, the Client should carefully consider whether investing in a specific financial instrument is suitable for them taking into account their personal circumstances and financial resources. If the Client does not understand the risks involved, then they should seek independent advice and consultation from an independent financial advisor or should not trade at all.

## **6. General Risk Warning For Complex Financial Instruments (Derivative Financial Instruments such as CFDs)**

- 6.1. **Trading in CFDs is VERY SPECULATIVE AND HIGHLY RISKY and is not suitable for all members of the general public but only for those Clients who:**
  - (a) understand and are willing to assume the economic, legal and other risks involved.

(b) take into account their personal financial circumstances, financial resources, life style and obligations and are financially able to assume the loss of their entire investment.

(c) have the knowledge to understand CFDs trading and the Underlying assets and Markets.

6.2. The Company will not provide the Client with any advice relating to CFDs, the Underlying Assets and Markets or make investment recommendations of any kind. So, if the Client does not understand the risks involved they should seek advice and consultation from an independent financial advisor. If the Client still does not understand the risks involved in trading in CFDs, they should not trade at all.

6.3. CFDs are derivative financial instruments deriving their value from the prices of the underlying assets/markets in which they refer to (for example currency, equity indices, stocks, metals, indices futures, forwards etc.). It is important therefore that the Client understands the risks associated with trading in the relevant underlying asset/ market because fluctuations in the price of the underlying asset/ market will affect the profitability of their trade.

6.4. Information of the previous performance of a Financial Instrument does not guarantee its current and/or further performance. The use of historical data does not constitute a binding or safe forecast as to the corresponding future performance of the Financial Instruments to which the said information refers.

## **7. Volatility**

7.1. Some Derivative Financial Instruments trade within wide intraday ranges with volatile price movements. Therefore, the Client must carefully consider that there is a high risk of losses as well as profits. The price of Derivative Financial Instruments is derived from the price of the Underlying Asset in which the Derivative Financial Instruments refer to. Derivative Financial Instruments and related Underlying Markets can be highly volatile. The prices of Derivative Financial Instruments and the Underlying Asset may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the Client or the Company. Under certain market conditions it may be impossible for a Clients order to be executed at declared prices leading to losses. The prices of Derivative Financial Instruments and the Underlying Asset 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.

## **8. Off-exchange transactions in Derivative Financial Instruments**

8.1. CFDs offered by the Company are off-exchange transactions. While some off-exchange markets are highly liquid, transactions in off-exchange or non-transferable derivatives may involve greater risk than investing in on-exchange derivatives 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 off-exchange transaction or to assess the exposure to risk. Bid prices and Ask prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

## **9. Foreign Currency**

9.1. When a Financial Instrument is traded in a currency other than the currency of the Client's country of residence, any changes in the exchange rates may have a negative effect on its value, price and performance and may lead to losses for the Client.

## **10. Abnormal Market Conditions**

10.1. The Client acknowledges that under Abnormal Market Conditions the period during which the Orders are executed may be extended or it may be impossible for Orders to be executed at declared prices or may not be executed at all.

## **11. Suspensions of Trading**

11.1. Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a Stop Loss will not necessarily limit the Client's losses to the intended amounts, because market conditions may make it impossible to execute such an Order at the stipulated price. In addition, under certain market conditions the execution of a Stop Loss Order may be worse than its stipulated price and the realized losses can be larger than expected.

## **12. No Delivery**

12.1. It is understood that the Client has no rights or obligations in respect of the Underlying Assets relating to the CFDs they are trading. There is no delivery of the underlying asset.



### **13. Slippage**

13.1. Slippage is difference between the expected price of a Transaction in a CFD, and the price the Transaction is actually executed at. Slippage often occurs during periods of higher volatility (for example due to news events), making an Order at a specific price impossible to execute, when market orders are used, and also when large Orders are executed when there may not be enough liquidity at the desired price level to maintain the expected price of trade.

### **14. Third Party Risks**

14.1. The Company may transfer money received from the Client to a third party (e.g. an intermediate broker, a bank, a market, a settlement agent, a clearing house, an OTC counterparty located outside Cyprus or to the Liquidity Provider/Market Maker) to hold or control in order to facilitate the Client's transactions or to effect a Transaction through or with that party or to satisfy the Client's obligation to provide collateral (e.g. initial margin requirement) in respect of a Transaction. The Company has no responsibility for the insolvency, acts or omissions of any such third party to whom it will transfer money received from the Client.

14.2. The third party to whom the Company will transfer 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 the event of the insolvency or withdrawal or winding-up proceedings or any other analogous proceedings against the third party, may lead to the Client's positions being liquidated or closed against their wishes and/or the Client's orders may not be executed. In addition, the Company may only have an unsecured claim against the third party on behalf of the Client, and the Client understands that they will be exposed to the risk that the money received by the Company from the third party is insufficient to satisfy the Client's claim(s). The Company does not accept any liability or responsibility for any resulting losses.

### **15. Trading Platform(s)**

15.1. The Client acknowledges and accepts that the only reliable source of information/data is the one which is presented on the Company's live server, and that this service is not a reliable source of information/data because the connection between the Client's Terminal and the Company's Server may be disrupted at some point, through no fault of the Company, resulting in some of the information, data or quotes not reaching the Client's Terminal or not being made available to the Client.

- 15.2. Client orders/instructions may be executed one at a time while being in the queue. Multiple client orders/instructions from the same Client trading account at the same time may not be executed.
- 15.3. The Client acknowledges that when an Order is closed or is being executed, it may not be cancelled or modified.
- 15.4. In case the Client has not received the result of the execution of the previously sent instruction/order but decides to repeat the instruction/order, the Client shall accept the risk of making two transactions instead of one.
- 15.5. The Client acknowledges that if a Pending Order has already been executed but the Client sends an instruction to modify its level, the only instruction, which will be executed, is the instruction to modify Stop Loss and/or Take Profit levels on the position opened when the Pending Order triggered.

## **16. Technical Risks**

- 16.1. The Client and not the Company shall be responsible for the risks of financial losses caused by failure, malfunction, interruption, disconnection or malicious actions of information, communication, electricity, electronic or other systems.
- 16.2. If the Client undertakes transactions on an electronic system, they will be exposed to risks associated with the system including the failure of hardware, software, servers, communication lines and internet failure. The result of any such failure may be that the Client's order is either not executed according to their instructions or it is not executed at all. The Company does not accept any liability in the case of such a failure.
- 16.3. The Client acknowledges that the unencrypted information transmitted by e-mail is not protected from any unauthorized access.
- 16.4. At times of excessive deal flow the Client may have some difficulties to be connected over the phone or the Company's Platform(s)/system(s), especially in fast Market (for example, when key macroeconomic indicators are released).
- 16.5. The Client acknowledges that the internet may be subject to events which may affect their access to the Company's Website and/or the Company's trading Platform(s)/system(s), including but not limited to interruptions or transmission blackouts, software and hardware failure, internet disconnection, public electricity network failures or hacker attacks. The Company is not responsible for any damages or losses resulting from such events which are beyond its control or for any other losses, costs, liabilities, or expenses (including, without limitation, loss of profit)

which may result from the Client's inability to access the Company's Website and/or Trading System or delay or failure in sending orders or Transactions.

16.6. In connection with the use of computer equipment and data and voice communication networks, the Client bears the following risks amongst other risks in which cases the Company has no liability of any resulting loss:

(a) Power cut of the equipment on the side of the Client or the provider, or communication operator (including voice communication) that serves the Client.

(b) Physical damage (or destruction) of the communication channels used to link the Client and provider (communication operator) and the trading or information server of the Client.

(c) Outage (unacceptably low quality) of communication via the channels used by the Client, or the Company or the channels used by the provider, or communication operator (including voice communication) that are used by the Client or the Company.

(d) Wrong or inconsistent with requirements settings of the Client Terminal.

(e) Untimely update of the Client Terminal.

(f) When carrying out transactions via the telephone (land or cell phone lines) voice communication, the Client runs the risk of problematic dialling, when trying to reach an employee of the broker service department of the Company due to communication quality issues and communication channel loads.

(g) The use of communication channels, hardware and software, generate the risk of non-reception of a message (including text messages) by the Client from the Company.

(h) Trading over the phone might be impeded by overload of connection.

(i) Malfunction or non-operability of the Platform, which also includes the Client Terminal.

16.7. The Client may suffer financial losses caused by the materialization of the above risks, the Company accepting no responsibility or liability in the case of such a risk materializing and the Client shall be responsible for all related losses they may suffer.

## **17. Insolvency**

17.1. The Company's insolvency or default may lead to positions being liquidated or closed out without the Client's consent.

### **18. Investor Compensation Fund**

18.1. The Company participates in the Investor Compensation Fund for clients of Investment Firms regulated in the Republic of Cyprus. Certain clients will be entitled to compensation under the Investor Compensation Fund where the Company fails. Compensation shall not exceed twenty thousand Euro (EUR 20.000) for each entitled Client. For more details please refer to the “Investor Compensation Fund” document found on the Company’s website.

### **19. Force Majeure Events**

19.1. In case of a Force Majeure Event the Company may not be in a position to arrange for the execution of Client Orders or fulfil its obligations under the agreement with the Client. As a result, the Client may suffer financial loss.

19.2. The Company will not be liable or have any responsibility for any type of loss or damage arising out of any failure, interruption, or delay in performing its obligations under this Agreement where such failure, interruption or delay is due to a Force Majeure event.

### **20. Advice and Recommendations**

20.1. When placing Orders with the Company, the Company will not advise the Client about the merits of a particular Transaction or give them any form of investment advice and the Client acknowledges that the Services do not include the provision of investment advice in CFDs or the Underlying Markets. The Client alone will enter into Transactions and take relevant decisions based on their own judgement. In asking the Company to enter into any Transaction, the Client represents that they have been solely responsible for making their own independent appraisal and investigation into the risks of the Transaction. The Client represents that they have sufficient knowledge, market sophistication, professional advice and experience to make their own evaluation of the merits and risks of any Transaction. The Company gives no warranty as to the suitability of the products traded under this Agreement and assumes no fiduciary duty in its relations with the Client.

20.2. The Company will not be under any duty to provide the Client with any legal, tax or other advice relating to any Transaction. The Client should seek independent expert advice if they are in any doubt as to whether they may incur any tax liabilities. The Client is hereby warned that tax laws are subject to change from time to time.

20.3. The Company may, from time to time and at its discretion, provide the Client (or in newsletters which it may post on its Website or provide to subscribers via its Website or the Trading Platform or otherwise) with information, recommendations, news, market commentary or other information but not as a service.

Where it does so:

- (a) the Company will not be responsible for such information;
- (b) the Company gives no representation, warranty or guarantee as to the accuracy, correctness or completeness of such information or as to the tax or legal consequences of any related Transaction;
- (c) this information is provided solely to enable the Client to make their own investment decisions and does not amount to investment advice or unsolicited financial promotions to the Client;
- (d) if the document contains a restriction on the person or category of persons for whom that document is intended or to whom it is distributed, the Client agrees that they will not pass it on to any such person or category of persons; and
- (e) the Client accepts that prior to despatch, the Company may have acted upon it itself to make use of the information on which it is based. The Company does not make representations as to the time of receipt by the Client and cannot guarantee that the Client will receive such information at the same time as other Clients.

20.4. It is understood that market commentary, news, or other information provided or made available by the Company are subject to change and may be withdrawn at any time without notice.

## **21. No Guarantees of Profit**

21.1. The Company provides no guarantees of profit nor of avoiding losses when trading. The Client has received no such guarantees from the Company or from any of its representatives. The Client is aware of the risks inherent in trading and is financially able to bear such risks and withstand any losses incurred.

## **22. Risk Related to trading Cryptocurrencies**

22.1. Please refer to the following [link](#) in order to be fully informed regarding all the Risks related to trading Cryptocurrencies.