

Indirect Clearing Disclosure Document

It is important that you read and understand this risk warning notice before accepting it. Except where expressed otherwise, certain terms used in this Risk Warning Notice have specific meanings as set out in the CMC Connect Terms of Business.

CMC Markets UK Plc (referred to below as “we”, “us” or “our”) provides the information in this notice to help you understand the nature and risks of trading with us. However, this notice does not explain all of the risks and other significant aspects involved in investing in our Products. You should take sufficient time to read all the relevant information that we provide to you before entering a Trade with us.

Trading derivatives is not appropriate for all investors. Trades can carry a high risk to your capital as Prices may move rapidly against you, particularly during volatile market conditions. When entering into Trades you can lose more than your investments and you may be required to make further payments. The higher the leverage involved in a Trade, the higher the risks involved.

The risk of loss can vary depending on the Order type and strategy, for example, selling an Option entails considerably greater risk than other Order types as you can be exposed to unlimited potential losses. We recommend that you seek independent advice and ensure you fully understand the risks involved before trading.

1. Appropriateness of Trades.

1.1. In line with the FCA’s rules (COBS 10A.2.3) we may assume that a Professional Client or an Eligible Counterparty has the necessary experience and knowledge to understand the risks involved in relation to the investment services or transactions, or types of transaction or product for which it is classified as a Professional Client. However, you should always carefully consider whether to invest in Trades and acquaint yourself sufficiently with them to understand the risks involved. Any decision to invest is entirely at your own risk.

2. We do not provide investment, tax, legal, regulatory or financial advice.

2.1. We do not provide investment, tax, legal, regulatory or financial advice relating to investments or possible Trades. Any information we provide to you, including any information provided by our client management team, is purely factual and is not tailored to your circumstances. Therefore, you may wish to obtain independent professional advice from a suitably qualified advisor on any investment, financial, legal, regulatory, tax or similar matter before opening an Account with us or entering any Trades.

3. CFDs and Spreadbets are OTC products.

3.1 When you enter into any CFD or Spreadbet Trade with us, you will be entering into an off-exchange (known as an ‘over-the-counter’, or ‘OTC’) contract, which is non-transferable. This means you will enter into Trades directly with us, and also that those Trades can only be closed with us. This involves greater risk than investing in a transferable financial instrument traded on a regulated market or trading venue such as a share or dealing in an exchange-traded derivative, because your ability to open Trades and close Trades is solely dependent on a Trading Platform and/or our client management team being in a position to accept Orders from you and to execute them. In certain circumstances it may not be possible to open or close Trades with us.

3.2 In addition, all your Trades with us are settled in cash, and you do not have any rights to any underlying instrument (as applicable).

3.3 You can only profit from our Trades through changes in Prices, which match the prices offered to or obtained by us or our brokers from the relevant underlying execution venues.

4. Trading via Direct Electronic Access

4.1 Electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration, or clearing of Trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house, and/or member firms. Such limits may vary; more details are provided in our CMC Connect Terms of Business and you should ensure that you have read the CMC Connect Terms of Business carefully before opening an Account with us or entering into any Trade. Trading on an electronic trading system carries risks. If you undertake transactions on an electronic trading system, you will be exposed to risk associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.

4.2 Foreign Futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally “linked” to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organisation regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, clients who trade on foreign exchanges may not be afforded certain of the protections which apply to

domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from clients to margin foreign Futures transactions may not be provided the same protections as funds received to margin Futures transactions on domestic exchanges. Before you trade, you should familiarise yourself with the foreign rules which will apply to your particular transaction.

5 Futures

- 5.1 You may sustain a total loss of the funds that you deposit with us to establish or maintain a Trade, and you may incur further losses beyond these amounts. If the market moves against your Position and you do not have sufficient funds on your Account to meet the minimum Margin requirements, your Position may be liquidated at a loss, and you will be liable for any resulting Negative Balance in your Account.
- 5.2 Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example, when the market reaches a daily price fluctuation limit (a daily price fluctuation limit is the maximum percentage, up or down, that an exchange traded security is allowed to fluctuate in one trading day).
- 5.3 All Futures trades with CMC should be closed before the expiration and settled in cash, as CMC does not facilitate physical delivery of the underlying assets. If an open contract Position is not closed out prior to the contract expiration, CMC Markets may take any appropriate action we deem as necessary at our sole discretion, including the liquidation of any Position in your Account. Refer to the CMC Connect Terms of Business for further information.

6 Options

- 6.1 Transactions in Options carry a high degree of risk. Buyers and sellers of Options should familiarise themselves with the type of Option (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the Options must increase for your position to become profitable, taking into account the premium and all transaction costs.
- 6.2 The buyer of Options may offset or exercise the Options or allow the Options to expire. The exercise of an Option result in a cash settlement but no delivery of the underlying asset. If the Option is on a Future, the purchaser will acquire a Futures position with associated liabilities for margin. If the purchased Options expire worthless, you will suffer a total loss of your investment which will consist of the Option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money Options, you should be aware that the chance of such Options becoming profitable is ordinarily remote.
- 6.3 Selling ('writing') an Option generally entails considerably greater risk than purchasing Options. Although the Premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the Option and the seller will be obligated to settle the Option in cash. If the position is 'covered' by the seller holding a corresponding position in the underlying interest or a Future or another Option, the risk may be reduced. If the Option is not covered, the risk of loss can be unlimited.

7 Market Data is displayed to you for indicative purposes only and may not match the Prices at which we enter into Trades with you.

- 7.1 Market Data displayed on Trading Platforms is based upon the Market Data you subscribe for. Market Data is displayed to you for indicative purposes only and may not match the Prices at which we enter into Trades with you. Fluctuations in financial markets, the delayed and/or limited nature of the Market Data you subscribe for and/or technical conditions may mean there is a significant difference (especially in volatile market conditions) between the Market Data displayed to you and the Price at which you enter a Trade with us. This difference may either be to your advantage or disadvantage.

8 Losses may exceed deposits.

- 8.1 When you enter into Trades with us, you risk losing more than the amount (if any) that you deposited with us and you may be required to make further payments. You should not rely on a Stop-Limit Order (where available) as they are not guaranteed because they are subject to slippage.
- 8.2 The amount of loss for an individual Trade will be the amount that you owe us when that Trade is closed. Trades involve leverage (also known as 'gearing' or 'margin'), which means that the effects of small movements in Price are multiplied and may have large impacts on the value of your Positions, both in respect of profits made and losses incurred and the higher the leverage rate, the higher the risk involved. In addition, the nature of leverage means that your losses may exceed the amount of deposit (if any) that you hold with us when entering a Trade.
- 8.3 It is therefore important that you monitor your Trades closely and the rate of leverage utilised. A small movement in Price may have a large impact on your Trades and CMC Account and may initiate an Account Close-Out, whether manually or through an automated process.
- 8.4 There are costs associated with trading with us. Depending on the Trades you enter, and how long you hold them for, we may require you to pay Commission and/or Holding Costs. If you keep Trades open for an extended time, the aggregate Holding Costs may exceed the amount of any profits or increase your loss. Before you begin to trade, you should ensure you are fully aware of all commissions, fees, and other charges for which you will be liable. These charges can negatively impact your return.

- 8.5 The profit or loss in transactions in foreign currency-denominated Products (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the Product to another currency.

9 Your Trades are at risk of being closed out

- 9.1 The closure of your Trades and/or Positions is intended to prevent you incurring further losses and we may close all Trades and/or Positions on your CMC Account, not just Trades that are making a loss. However, we do not guarantee such closure and you must not rely on it. It is your responsibility to monitor your Positions and your Account balance closely. To prevent Account Close-Outs, you should keep an Amount in your CMC Account that allows sufficient headroom to keep your Positions open in case of sudden changes to the required Margin amount resulting from Price movements. It is important to note that an Amount deposited into your Account (which appeared to be sufficient) can very quickly become insufficient, due to rapidly changing market conditions.
- 9.2 If an Account Close-Out is triggered outside of UK office hours, the relevant Account Close-Out procedure may be delayed. The balance on your CMC Account may be significantly lower by the time we are able to contact you (e.g. due to market movements).

10 Market circumstances may impact your Trades.

- 10.1 Market Data and our Prices, and the information provided in relation to them, are dependent on the availability of prices and liquidity from the execution venues or Exchanges we or our underlying brokers use. As a result, market circumstances may impact your ability to place an Order and we may be unable to execute a Pending Order.
- 10.2 Financial markets may fluctuate rapidly and this will impact Prices. Any movements in Prices will have a direct and real-time effect on your Trades and Account. One form of price volatility that can happen regularly is 'gapping', where there is a sudden shift in price from one level to another, caused (for example) by unexpected economic events or upon the market opening. In periods of price volatility, there may not always be an opportunity for you to place an Order between two Prices, or for a Trading Platform and/or our client management to execute a Pending Order at a Price between those two Prices. Price volatility of this kind can result in your Order being executed at the next available Price and you incurring significant losses if the Price is less favourable on an affected Trade.
- 10.3 There may be changes made by the brokers with which we hedge our price risk relating to Trades, including changes (that have or purport to have retrospective effect) to prices or cancellations of contracts we may have with them, which would each constitute a Circumstance Outside Our Control. We have certain rights and may take certain actions (including Reserved Actions) in respect of Circumstances Outside Our Control, including for example the right to cancel or reprice any Trade, where to do so would be fair and reasonable in the circumstances.
- 10.4 Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits) may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold Options, this may increase the risk of loss.
- 10.5 Further, normal pricing relationships between the underlying interest and the Future, and the underlying interest and the Option may not exist. This can occur when, for example, the Futures contract underlying the Option is subject to price limits while the Option is not. The absence of an underlying reference price may make it difficult to judge 'fair' value.

11 Technical risks and other circumstances may affect your Trades.

- 11.1 There is a risk that other circumstances may prevent us from executing Orders or prevent you from accessing the Platform and/or our client management team, such as system errors or outages. Such circumstances may pose a significant risk to the execution of your Orders.

12 Different Products pose different risks.

- 12.1 Each of these Products poses specific risks which can differ widely, for instance regarding the range and speed of fluctuations in Prices or with respect to liquidity. Therefore, you should ensure that you understand the specific risks of a Product before you open a Trade on that Product.

13 Profit and Loss displayed on the Trading Platform (CFD and SB only)

- 13.1 There may at times be differences between information available through the Back Office Platform and information available through the Trading Platform. These differences may include differences in relation to your Available Equity or Cash as displayed on the Back Office Platform and Free Equity as displayed on the Trading Platform. These differences are due to the fact the Back Office Platform does not immediately deduct the applicable Margin from your Available Equity or Cash until you enter a Trade, whereas the Trading Platform deducts the applicable Margin from Free Equity from the point you place a Pending Order (which may be earlier in time). In addition, the Back Office uses a different basis for the calculation of the Margin, Unrealised Profit and Loss & Available Equity compared to equivalent balances shown on the Trading Platform.
- 13.2 In the event of a difference, the information available through the Back Office Platform shall be conclusive. However, when determining whether sufficient funds are available to allow you to enter Trades and when determining the balance for the liquidation of any of your Trades or Positions, the information available through the Trading Platform will prevail. Every Business Day a reconciliation will take place to bring the Free Equity displayed on the Trading

Platform in line with the Available Equity or Cash displayed on the Back Office Platform. This may have an impact on your gross liquidation value and on any eventual profits that you make or losses that you incur.

14 You should not finance your Trades with us on credit.

14.1 You should not rely on being able to redeem borrowed funds with any profits from Trades.

15 Past performance is not indicative of future performance.

15.1 You should bear in mind that any past performance, simulation or prediction is not indicative of future performance. Therefore, you cannot and must not make any assumptions as to future performance based on any past performance, simulation or prediction.

16 We cannot guarantee protection of your money.

16.1 Full details on how we will treat your money are provided in our CMC Terms and you should ensure that you have read the CMC Connect Terms of Business carefully before opening an Account with us or entering any Trade.

17 Tax treatment may vary.

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

18 Access to the client management team.

18.1 We will do our best to make the client management team available when required by you. However, during periods of high demand and due to other Circumstances Outside Our Control, we cannot promise that you will always be able to access a member of the client management team. This may prevent you from taking quick actions and increases the risk associated with Products.

19 Algorithmic Execution.

19.1 If we have made Algorithmic Execution available to you, you should not enter Trades using Algorithmic Execution unless you fully understand the risks involved. If you are in any doubt, you should seek independent professional advice.

19.2 **You are responsible for all Trades you enter as the result of using Algorithmic Execution.** Once you have initiated Algorithmic Execution, the Algorithm will continuously and independently place Orders based on parameters specified by you until those parameters are satisfied or you have successfully cancelled such Algorithmic Execution. You shall be responsible for and bound by any and all Trades arising or resulting from the relevant instance of Algorithmic Execution as a result.

19.3 **Underlying Algorithms used in Algorithmic Execution may vary.** When you use Algorithm Execution, Orders will be executed using an Algorithm of the relevant type selected on the Trading Platform, but the actual Algorithm used may be provided by any of our underlying brokers. As such, the underlying methodology may vary according to the actual Algorithm used and you may achieve a different result, depending on which Algorithm is chosen, regardless of the fact that one Algorithm shares the same execution objective as another Algorithm of the same type.

19.4 **Cancellations and amendments may not take effect immediately.** Cancellations and amendments to instances of Algorithmic Execution will only take effect once they have been received and processed by the Trading Platform. As a result, you may become responsible for and bound by Orders arising or resulting from an instance of Algorithmic Execution even after you have purported to cancel or amend it.

19.5 CMC Markets may, at its sole discretion, block or cancel your Orders resulting from algorithms if we deem they create a risk for us, are contrary to the rules of the trading venues, regulatory rules, or create a risk of a disorderly market.

20 Responsibilities of a Direct Electronic Access (DEA) client

If you access DEA services, it will be your responsibility, and those that act on your behalf to adhere to the following:

- To be familiar with all applicable laws and regulations, and, particularly, the rules of the trading venue(s) that apply to you. The consequences of breaching applicable laws and regulations can be severe and may include prosecution for criminal or civil offences.
- That you do not engage in, or attempt to engage in, any prohibited transactions, commit market abuse or take any action that would undermine confidence in any trading.
- Observe robust security processes to protect us from viruses and safeguard access credentials to DEA systems. For example, you should use strong passwords and ensure that these are kept confidential.
- You will only access markets in jurisdictions specifically agreed with us so as to avoid us breaching laws and regulations in certain jurisdictions.