RISK DISCLOSURE POLICY

HUA PRIME

This Policy/Notice provides a non-exhaustive list of the risks associated with derivative products trading, in particular CFD trading, and other significant aspects related to such products. This notice cannot explain all of the risks associated with CFD trading nor how such risks relate to your personal circumstances.

You should not deal in derivatives unless you understand the nature of the contract you are entering into and the extent of your exposure to risk. You should also be satisfied that the contract is appropriate for you in the light of your circumstances and financial position.

Whilst derivatives instruments can be utilised for the management of risk, some investments may not be appropriate for many investors. Different instruments involve different levels of exposure to risk, and in deciding whether to trade in such instruments, you should be aware of the following points:

(a) **Contracts for Difference** can be likened to futures, which can be entered into in relation to an index, a share, as well as currency etc. Investing in a CFD carries risks similar to investing in a future or an option and you should be aware of these.

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage.

The vast majority of retail investor accounts lose money when trading CFDs.

You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

(b) **Investing in CFDs** carries risks and you should be aware of these. Transactions in CFDs may also have a contingent liability and you should be aware of the implications of this as set out in paragraph (m) below. In addition to standard industry disclosures contained in the Terms and Conditions, you should be aware that **CFDs are some of the riskiest forms of investment available in the financial markets and are only appropriate for sophisticated individuals and institutions. Given the possibility of losing an entire investment, any additional funds deposited to maintain your position(s), and/or, unless you are a retail client, incurring a debit balance owed to the Company, speculation in CFDs should only be conducted with risk capital funds that, if lost, will not significantly affect your personal or institution's financial wellbeing.**

If you have pursued only conservative forms of investment in the past, you may wish to study CFDs and their underlying instruments further before continuing an investment of this nature. **You must also realise that the risk in buying CFDs means you could lose the entire investment.** If you wish to continue with your investment, you acknowledge that the funds you have committed are purely risk capital and loss of your investment will not jeopardise your style of living nor it will detract from your future retirement program. Additionally, you acknowledge that you fully understand the nature and risks of CFDs and their underlying instruments, and your obligations to others will not be neglected should you suffer investment losses.

When trading CFDs, you are not entitled to the physical delivery of the underlying instrument of the CFDs you are trading and you have no rights (including voting rights) in the underlying instrument. This means that you are not entitled to ownership of the underlying asset of such a contract.

Positions opened with us are not traded on any exchange (i.e. the transactions are undertaken over the counter (OTC)) and, as such, they may expose the Client to greater risks than regulated exchange transactions. The prices and other conditions are set by us, subject to any obligations we have to provide best execution, to act reasonably and in accordance with the Company's Terms and Conditions and our Order Execution Policy. Each CFD trade that you open through the Company results in you entering into a contract with us; these contracts can only be closed with us and are not transferable to any other person.

(c) **Liquidity Risk.** Some of the CFD underlying assets may not become immediately liquid as a result of reduced demand for the underlying asset. As such, the Client may not be able to obtain the information on the value of these or the extent of the associated risks.

(d) **Foreign markets and Currency Risk**. Foreign markets involve different risks from domestic markets. In some cases, risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign currency will be affected by fluctuations in foreign exchange rates. Such enhanced risks include the risks of political or economic policy charges in a foreign media, which may substantially and permanently alter the conditions terms, marketability or price of a foreign currency.

Investing in FX Contracts and CFDs with an underlying asset listed in a currency other than your base currency entails a currency risk, due to the fact that when the CFD or FX Contract is settled in a currency other than your base currency, the value of your return may be affected by its conversion into the base currency. Any changes in the exchange rates may have a negative effect on the financial instrument's value, price and performance, and may lead to losses for the Client.

(e) **Risk reducing orders or strategies.** The placing of certain orders (e.g. "stop loss" or "stop limits" orders) that are intended to limit losses to certain amounts may not always be effected because market conditions or technological limitations may make it impossible to execute such orders. Strategies using combinations of positions such as "spread" and "straddle" positions, may be just as risky or even riskier than simple "long" or "short" positions.

(f) **Prices.** The prices posted on the Company's Website may not necessarily reflect the broader market. We will select closing prices to be used in determining Margin requirements and in periodically marking to market the positions in customer accounts. Although we expect that these prices will be reasonably related to those available on what is known as the interbank market, prices we use may vary from those available to banks and other participants in the interbank market. Consequently, we may exercise considerable discretion in setting margin requirements and collecting margin funds.

(g) **Performance calculation.** Unlike in the case of direct investment in underlying assets such as shares, bonds or commodity futures, in cases of CFDs you are subject to an exponentiated market risk; market risk is the possibility of a client experiencing losses due to factors that affect the overall performance of the financial markets in which the client is involved. Controlling such risk requires a specific kind of expertise and trading experience. In addition, the margin held by you on your CFD account amounts to just a fraction of the value of the corresponding underlying asset of the CFD when high leverage is applied. The higher the leverage, the smaller the fraction of the underlying asset's value to be put down and the smaller the part of the underlying's price fluctuation range covered by your margin.

(h) **Volatility risk.** Some derivatives such as CFDs 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 Client's order to be executed at the declared prices, leading to losses. Due to market conditions which may cause any unusual and rapid market price fluctuations, or other circumstances, the Company may be unable to close out Customer's position at the price specified by Customer and the risk controls imposed by the Company might not work and Customer agrees that the Company will bear no liability for a failure to do so.

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 are factors which, among other things, influence the prices of derivative financial instruments and the underlying asset.

In times of high volatility or market/economic uncertainty, values may fluctuate significantly. Such fluctuations are even more significant in case of leveraged positions and may adversely affect your positions. In the event of default, your positions may be closed out.

(i) **Client Money and Counterparty Risk.** Any money that we hold on your behalf is kept in one or more segregated accounts with an institution within or outside the European Economic Area, separated from the Company's money. It is noted that the legal and regulatory regime applying to any financial institution outside Cyprus or the EEA will be different to that of Cyprus.

However, where we are unable to meet our duties and obligations arising from your claim, you may benefit from the Investor Compensation Fund. 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 is unable, due to its financial circumstances and when no realistic prospect of improvement in the above circumstances in the near future seems possible.

(j) **Weekend risk.** Various situations, developments or events may arise over a weekend when the currency markets generally close for trading, that may cause the currency markets to open at a significantly different price from where they closed on Friday afternoon. Our customers will not be able to use the Company's Online System to place or change orders over the weekend and at other times when the markets are generally closed. There is a substantial risk that stop-loss orders left to protect open positions held over the weekend will be executed at levels significantly worse than their specified price.

(k) **Electronic trading.** Trading in OTC contracts through the Company's Online System may differ from trading on other electronic trading systems as well as from trading in a conventional or open market. Customers that trade on an electronic trading system are exposed to risks associated with the system including the failure of hardware and software and system down time, with respect to the Company's Online System, the individual customer's systems, and the communications infrastructure (for example the internet) connecting the platform with customers. Since the Company does not control signal power, its reception or routing via Internet, configuration of your equipment or reliability of its connection, we cannot be liable for communication failures, distortions or delays when trading via the Internet. The

Company employs backup systems and contingency plans to minimize the possibility of system failure, and trading via telephone is available.

(l) **High Leverage and Low Margin Risk**

The high degree of "leverage" is a particular feature of CFD Contracts. Trading risks are magnified by leverage.

The effect of leverage makes investing in CFDs riskier than investing in the underlying asset, due to the margining system applicable to CFDs, which generally involves a small deposit relative to the size of the transaction, so that a relatively small price movement in the underlying asset can have a disproportionately dramatic effect on your position. This can be both advantageous and disadvantageous.

A small price movement in your favour can provide a high return on the deposit, however, a small price movement against you may result in significant losses. If you are a retail client, your losses will never exceed the balance of your account, which is balanced at zero, if the losses are higher than the amount deposited. Such losses can occur quickly. The greater the leverage, the greater the risk. The size of leverage therefore partly determines the result of the investment.

It is noted that leverage restrictions apply with respect to retail CFD accounts, ranging from 1:2 to 1:30, depending on the underlying instrument.

(m) **Contingent liability transactions**, which are margined, require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately. Clients must maintain the minimum margin requirement on their open positions at all times. It is Customer's responsibility to monitor his/her open positions. Retail clients could sustain a total loss of deposited funds but are not subject to subsequent payment obligations, but professional clients and eligible counterparty clients could sustain losses in excess of deposits. If the market moves against you, you may be called upon to pay substantial additional Margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and professional clients and eligible counterparties will be liable for any resulting deficit. Even if the Transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you paid when you entered into the contract. Contingent liability transactions, which are not traded on or under the rules of a recognised or designated investment exchange, may expose you to substantially greater risks.

(n) **Collateral (professional clients and eligible counterparties only)**. you deposit collateral as security, you should ascertain how your collateral will be dealt with. Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets, which you deposited and may have to accept payment in cash.

(o) **Conflict of Interest**

The Company takes all reasonable steps to identify and prevent or manage the conflicts of interest arising in relation to its business lines and its group's activities under a comprehensive Conflicts of Interest Policy. The disclosure of conflicts of interest by the Company should not exempt it from the obligation to maintain and operate the effective organisational and administrative arrangements. For more information on (potential) conflicts of interest and the mitigation measures taken by the Company, kindly refer to the Company's Conflicts of Interest policy.

(p) **Commissions and Taxes**. Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a dealing spread), you should obtain a clear written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms.

The Client is responsible for any taxes and/or any other duty and/or fee and/or expenses which may accrue in respect of his/her trades. The Client is responsible for managing his/her tax and legal affairs and complying with applicable laws and regulations. The Company does not provide any regulatory, tax or legal advice and if the Client has any doubt regarding the tax treatment or liabilities of investment products which are available through the Company, he/she should seek independent advice.

(q) **Insolvency**. Any insolvency or default may lead to positions being liquidated or closed out without your consent.

(r) **Appropriateness Risk Assessment.** Upon the opening of your account, the Company shall carry out an assessment of your appropriateness to trade CFDs and determines, based on information you provide us with, if you have sufficient knowledge and experience to understand the risks involved in CFD trading. The assessment does not relieve you of the need to carefully consider whether to trade or not CFDs with us. If we warn you that trading these instruments may not be appropriate for you, then you should refrain from trading CFDs until you gain sufficient knowledge and experience. You could, for example, trade CFDs on a Demo Account prior to trading them in a live environment to be sufficiently acquainted with the relevant risks incurred.

You should only engage in CFD trading if you are prepared to accept a high degree of risk and in particular the risks outlined in this Policy. Retail clients could sustain a total loss of deposited funds but are not subject to subsequent payment obligations, but professional clients and eligible counterparty clients could sustain losses in excess of deposits.

For more information, clarifications or queries in relation to the risks associated with CFD trading, please contact us via email at contactus@huaprime.eu.