Risk Disclosure for CFDs

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1.) Introduction

1.1) At OTX Forex,we want to make sure that any company's client or any prospective client is fully aware of all the risks before opening and commencing any trading activity with the company.

1.2) The Clients and any prospective client must carefully read this Risk Disclosure for foreign exchange and derivative products, such as Contracts for Differences, before enetering into an agreement with the compnay for opening a trading account.

2.) Risk Warning

2.1) This notice cannot disclose all the risks and other significant aspects of foreign exchange and derivative products, such as Contracts for Differences. A Client should not deal in these products unless they understand their nature and the extent of their exposure to risk. These products are risky and require regular monitoring (especially when there is higher leverage and/or volatile markets). Clients should also be satisfied that the product is suitable for them in light of their circumstances and financial position. Certain strategies, such as a "spread" position or a "straddle", may be as risky, as a simple Long or Short position.

2.2) Although Forex and derivative instruments can be used for the management of investment risk, some of these products are unsuitable for many investors. Clients should not engage directly or indirectly with derivative products unless they know and understand the risks involved in them and that they may lose all of their money. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments, a Client should be aware of the following points:

3.) Effect of Leverage

3.1) Under Margin Trading conditions even small market movements may have a great impact on the Client's Trading Account. It is important to note that all accounts trade under the effect of Leverage. The Client must also consider that if the market moves against them, the Client may sustain a total loss of all of the funds deposited. The Client is responsible for all the risks, financial resources the Client uses and for the chosen trading strategy.

3.2) It is highly recommended that the Client maintains a Margin Level (percentage Equity to Necessary Margin ratio which is calculated as Equity / Necessary Margin * 100%) of not lower than 1,000%. It is also recommended that a Stop Loss is placed to limit potential losses, and Take Profit to collect profits, when it is not possible for the Client to manage their Open Positions.

3.3) The Client shall be responsible for all financial losses caused by the opening of the position, using temporary excess Free Margin on the Trading Account gained as a result of a profitable position, (cancelled by the Company afterwards) opened at an Error Quote (Spike) or at a Quote received as a result of a Manifest Error.

4.) High Volatility Instruments, Price Movements and Slippage

4.1) Some Instruments trade within wide intraday ranges with volatile price movements. Therefore, the Client must carefully consider that there is a high risk of loss as well as profit. The price of Derivative financial instruments is derived from the price of the underlying asset in which the instruments refer to (for example currency, stock, metals, indices, etc.). Derivative financial instruments and related markets can be highly volatile. The prices of instruments and the underlying asset may fluctuate rapidly, 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 a declared price, leading to losses. The prices of 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. Therefore, a Stop Loss order cannot guarantee the limit of loss.

4.2) The Client acknowledges and accepts that, regardless of any information which may be offered by the Company, the value of Instruments may fluctuate downwards or upwards and it is even a possibility that the investment may diminish to no value. This is owed to the margining system applicable to such trades, which generally involves a comparatively modest deposit or margin in terms of the overall contract value. A relatively small movement in the underlying market can have a disproportionately dramatic effect on the Client's trade. If the underlying market movement is in the Client's favour, the Client may achieve a good profit, but an equally small adverse market movement can not only quickly result in the loss of the Clients' entire deposit, but may also expose the Client to a large additional loss.

4.3) At this point it is significant to refer to Slippage which usually happens during periods of high volatility - This is when a trader has executed an order at a price which is different to the price they expected the trade to be executed at. There are two kinds of slippage, positive and negative. Positive slippage occurs when the price is executed at a better level than the one requested; a negative slippage is exactly the opposite situation, therefore the Client should consider the possible risks and/or hazardous situation that they might be placed in. Slippage can occur in all account and order types offered, and under all execution methods.

4.4) Please be informed that in case a slippage is experienced in the market, the orders will be executed at the next available price, in cases of market execution. Instant Execution requotes, (i.e. if the requested price is not available, the current available price will be sent to the Client to confirm execution, and the Client must explicitly agree to accept the requoted price, prior to execution) occur when entering or exiting the market in Standard and Cent account.

4.5) In general, the volatility in the market may affect the price, speed and volume. Therefore, trading during volatile conditions, where important news and data releases are made, is incredibly risky and since the best execution criteria might not apply, as indicated in our website, the execution pricing will always be provided at the first available price.

5.) Liquidity

5.1) Some of the underlying assets may not become immediately liquid as a result of reduced demand for the underlying asset and Client may not be able to obtain the information on the value of these, or the extent of the associated risks.

6.) Contracts for Difference

6.1) The CFDs available for trading with the Company are non-deliverable spot transactions, giving an opportunity to make profit on changes in currency rates, commodities, stock market indices or share prices (called the underlying instrument). If the underlying instrument movement is in the Client's favour, the Client may achieve a good profit, but an equally small adverse market movement can not only quickly result in the loss of the Clients' entire deposit but also any additional table-accordion commissions and other expenses incurred. The Client must not enter into CFDs unless he is willing to undertake the risk of losing all the money he has invested and/or any additional table-accordion commissions and other expenses incurred.

6.2) Investing in a Contract for Differences carries the same risks as investing in a future or an option and the Client should be aware of the risks set out above. Transactions in Contracts for Differences may also have a contingent liability and Clients should be aware of the implications of this, as set out below.

7.) Equities

7.1) Equities, represent a portion of a company's share capital. The extent of the Client's ownership in a company depends on the number of shares the Client owns in relation to the total number of shares in issue.

7.2) Shares are bought and sold on stock exchanges and their values can go down. In respect of shares in smaller companies, there is an extra risk of losing money when such shares are bought or sold. There can be a big difference between the buying and selling price of these shares.If they have to be sold immediately, the Clients may get back much less than they paid for them. Shares in companies incorporated in emerging markets may be harder to buy and sell than those shares in companies in more developed markets and such companies may also not be regulated as strictly.

7.3) All Equities offered are listed on an exchange, which means that the prices are not set by the Company. The Company will act on any instruction that the Client provides to buy or sell an instrument on his/her behalf in accordance with the Company's obligation to provide best execution as set out in the order execution policy, to act reasonably and in accordance with the applicable Client Agreement and other Operative Agreements.

7.4) The Company may place the Clients instructions to deal outside of an exchange if this is in line with the order execution policy.

7.5) As investments will be held in the name of a nominee company, the Client may not have voting rights which he/she would have had if he/she held the investment in his/her own name.

7.6) All financial investments involve an element of risk. The value of any investment the Client makes through may fall as well as rise and the Client may get back less than his/her initial investment. Past performance is not an indication of future performance.

7.7) The risks that the Clients are exposed to will vary according to the instruments they instruct the Company to buy and sell on their behalf.

7.8) The Company's services are provided on an execution only basis. The Company does not provide investment advice in relation to Equities. The Company might provide factual information or research recommendations about a market, information about transaction procedures and information about the potential risks involved and how those risks may be minimized. However, any decision to use the products or services is made by the Client.

8.) Collateral risks (professional/elective professionals only)

8.1) When Clients enter into the Collateral Agreement with the Company, it is agreed to take security over the assets in the Share Account in place of cash for payment of margin on their linked CFD Account.The value of shares and CFDs will rise and fall. If the collateral value of the assets in Clients Share Account, together with any cash on Client's linked CFD Account, falls below the amount required to maintain the open positions, Client may be closed out of the CFD positions on that linked account, and the Company will have the right to sell the assets in the Client's Share Account in order to pay for any resulting deficit.

8.2) As the value of the assets in the Clients Share Account fluctuates the value of the collateral that the Client can utilise as margin will also fluctuate. The Client will need to monitor his/her Share Account and the linked CFD Account to ensure that the collateral value and any cash he/she has deposited on his/her linked CFD Account is sufficient to fund his/her open positions on that account.
The Client will only be able to use his/her collateral services to cover margin requirements on open positions on his/her linked CFD Account and he/she will need to cover any running losses using the available cash in his/her linked CFD Account.

9.) Off-exchange Transactions in Derivatives

9.1) CFDs on foreign exchange, CFDs on commodities, CFDs on Spot Metals, Stock CFDs, and CFDs on Indices are off-exchange transactions. The Client acknowledges that the transactions entered in CFDs with the Company are not undertaken on a recognized exchange, rather, they are undertaken over the counter (OTC) and as such they may expose the Client to greater risks than regulated 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 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.

9.2) With regards to transactions in CFDs on foreign exchange, CFDs on commodities, CFDs on Spot Metals, Stock CFDs, and CFDs on Indices with the Company, the Company is using a trading platform for transactions in CFDs which does not fall into the definition of a recognized exchange as this is not a Multilateral Trading Facility and so subsequently it does not have the same protection as a recognised exchange.

10.) Foreign Markets

10.1) Foreign markets involve various risks. On request, the Company must provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which it will accept liability for any default of a foreign firm with whom it deals. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts, will be affected by fluctuations in foreign exchange rates.

11.) Contingent Liability Investment Transactions

11.1) Contingent liability investment transactions which are margined, require a Client to make a series of payments against the purchase price, instead of paying the whole purchase price immediately. The Margin requirement will depend on the underlying asset of the instrument. Margin requirements can be fixed or calculated from the current price of the underlying instrument, it can be found on the website of the Company.

11.2) When trading in CFDs, a Client may sustain a total loss of the funds they have deposited to open and maintain a position. If the market moves against them, they may be called upon to pay substantial additional funds at short notice to maintain the position. If the Client fails to deposit funds within the time required, their position may be liquidated as a loss and they will be responsible for the resulting deficit. It is noted that the Company will not have a duty to notify the Client for any Margin Call to sustain a loss-making position.

11.3) Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances- over and above any amount paid when the Client entered the contract.

11.4) Contingent liability investment transactions which are not traded on, or fall under the rules of a recognised or designated investment exchange, may expose the Client to substantially greater risks.

12.) Commissions and Taxes

12.1) Before Clients begin to trade, they should make themselves aware of all commissions and other charges for which they will be held liable. 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 the true monetary value of the charges. For example, for opening a position in some types of Financial Instruments the Client may be required to pay commission or financing fees, the amount of which is disclosed on the Company Website. Commissions may be charged either in the form of a percentage of the overall value of the trade or as fixed amount. The value of opened positions in some types of CFDs is increased or reduced by a daily swap rate throughout the life of the contract. Swap rates are based on prevailing market interest rates, which may vary over time. For all types of CFDs that the Company offers, the commission and financing fees are not incorporated into the Company's quoted price and are instead charged explicitly to the Client account.

12.2) There is a risk that the Client's trades in any Financial Instruments including derivative instruments may be or become subject to tax and/or any other duty for example, because of changes in legislation or his personal circumstances. The Company does not warrant that no tax and/or any other stamp duty will be payable. 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 trades.

12.3) The Clients are responsible for managing their tax and legal affairs including making any regulatory filings and payments and complying with applicable laws and regulations. The Company does not provide any regulatory, tax or legal advice. If the Clients are in any doubt as to the tax treatment or liabilities of investment products available through the Company, they should seek independent advice.

13.) Suspensions of Trading

13.1) 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 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.

13.2) The Company's price for a given CFD is calculated by reference to the price of the relevant underlying asset, which the Company obtains from third party external reference sources. If the price reaches an order such as: Stop Loss, Take Profit, Buy Limit, Buy Stop, Sell Limit, Sell Stop- these orders will be closed. But under certain trading conditions it may be impossible to execute orders (Stop Loss, Take Profit, Buy Limit, Buy Stop, Sell Limit, Sell Stop) at the declared Clients' price. Therefore, these orders may not always limit Client losses in the event of highly volatile trading conditions, for example, in an underlying asset or reference price. In this execute the order at the first available price. This may occur, as already stated, 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. This may also occur at the opening of a trading session. In general, the Company places strong emphasis on the quality and level of the price data that the Company receives from external sources, in order to provide to the Clients with competitive price quotes. The Company does not however guarantee that its’ quoted prices will be at a price which is as good, or better, than one might have been available elsewhere.

14.) Insolvency

14.1) The Company employs adequate arrangements in order to ensure Clients’ assets and ownership rights in the event of the Company’s insolvency. However, the Company's insolvency or default, may lead to positions being liquidated or closed out without the Clients consent. In certain circumstances, a Client may not get back the actual assets which were lodged as collateral and may have to accept any available payments in cash, or by any other method deemed to be appropriate.