

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 Schedule 3 of the Terms of Business.

CMC Markets Bermuda Ltd (referred to below as “we”, “us” or “our”) is committed to treating you honestly, fairly, professionally and in your best possible interests when providing investment services to you. In this notice, we provide you with information to help you understand the nature and risks of your CFD Margin Trades, Option CFDs, and our services. However, this notice does not explain all of the risks and other significant aspects involved in investing in our CFD Margin Trades and/or Option CFDs. You should take sufficient time to read all the relevant information that we provide to you before entering into a CFD Margin Trade or an Option CFD.

Our Products can carry a high risk to your capital as Prices and Premiums may move rapidly against you, particularly during volatile market conditions. As a Retail Client, you risk losing your Invested Capital or in the case of Long Option CFDs, the Premium. The higher the leverage involved in a CFD Margin Trade or Option CFD, the higher the risks involved.

You should not enter into CFD Margin Trades and/or Option CFDs with us unless you fully understand the risks involved. If you are in any doubt you should seek independent professional advice.

RISKS APPLICABLE TO ALL CLIENTS

1. Risk warning statement

- 1.1 OTC leveraged products, including CFD Margin Trades and Option CFDs, are complex investments, which come with a high risk of losing money rapidly due to leverage. A high percentage of retail clients suffer loss from investing in CFD Margin Trades and/or Option CFDs. You should carefully read this Risk Warning Notice and then consider whether entering into CFD Margin Trades or Option CFDs is right for you given your personal circumstances (financial, taxation and otherwise) before you begin trading with us.
- 1.2 The current percentage of retail client accounts that lose money when trading OTC leveraged products, including CFD Margin Trades and Option CFDs, with this investment provider can be found at www.cmcmarkets.com/en. This is updated quarterly.
- 1.3 You may in certain circumstances be required to have an additional Amount deposited in an Account by way of Margin. These circumstances include the following:
 - 1.3.1 Reserved Actions as described in clause 8.3 of the Terms of Business;
 - 1.3.2 Amendments to Margin Rates, Margin requirements, Commission, Close-Out Level, Reset Level and other costs, as described in clause 9.2 of the Terms of Business; and
 - 1.3.3 Corporate Actions, Adjustment Events and Insolvency as described in paragraph 11 of Schedule 1A and paragraph 12 of Schedule 1B of the Terms of Business.

2. Our Products may not be appropriate for you.

- 2.1 We are under a regulatory duty to assess whether our Products and services are appropriate for you. When we process your application to open an Account with us, we will conduct an assessment as to whether you have sufficient knowledge and experience to understand the risks involved in investing in any of our Products based on the information you provide us. We will inform you if, as a result of our assessment, we consider that any of our Products may not be appropriate for you. However, our assessment does not relieve you of the need to carefully consider whether to invest in our Products. Any decision to invest is entirely at your own risk.
- 2.2 If we warn you that investing in our Products may not be appropriate for you on the basis of your knowledge and experience, then you should refrain from trading. If you still wish to enter into Orders, you should only invest once you have acquainted yourself sufficiently with our Products through the demo account available on our Website and understand the risks involved.

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

- 3.1 We do not provide investment, tax, legal, regulatory or financial advice relating to investments, our Products or your possible Orders. Any information we provide to you, including any information provided by our client management team, is purely factual and does not take into account your personal 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 into any trades in any Orders.

4. Our Products are OTC products.

- 4.1 When you enter into trades in any of our Products, you will be entering into an off-exchange (sometimes known as an ‘over-the-counter’, or ‘OTC’) contract, which is non-transferable. This means you will enter into trades in any of our Products 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 Trading Venue such as a share or dealing in an exchange-traded derivative, because your ability to place Orders with us is solely dependent on our 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 in our Products (see paragraphs 9 and 11 below).

- 4.2 In addition, all of your trades in any of our Products are settled in cash, and you do not have any rights to any underlying instrument.
- 4.3 You can only profit from our CFD Margin Trades or our Option CFDs through changes in our Prices. This is different from other transferable financial instruments traded on Trading Venues where you can profit from real market fluctuations and where you may be entitled to dividends or interest.

5. We act as a market maker.

- 5.1 Our Prices take into account current exchange and market data from various sources. This means that our Prices may not be identical to prices for similar financial instruments or the relevant underlying instrument quoted on an exchange or other Trading Venues.
- 5.2 In order to form our Prices for our Option CFDs, we use a pricing model with inputs from the underlying markets, including pricing from other Trading Venues.
- 5.3 In certain circumstances, we may not be able to use our standard pricing models for example, where market conditions prevent us from doing so. In this case we may revert to other pricing methodologies.

6. Retail Clients may lose their entire Invested Capital when they enter into CFD Margin Trades with us.

- 6.1 As a Retail Client, when you enter into CFD Margin Trades with us, you risk losing your entire Invested Capital. Although our Platform has features that are designed to help limit your risk of loss, none of these other than Guaranteed Stop Loss Orders are guaranteed and you should not rely on them.
- 6.2 The amount of loss for an individual CFD Margin Trade will be the amount that you owe us when that CFD Margin Trade is closed. CFD Margin Trades involve leverage (also known as 'gearing' or 'margining'), 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 you may lose your entire Invested Capital when entering into a CFD Margin Trade.
- 6.3 It is therefore important that you monitor your CFD Margin Trades closely and the rate of leverage utilised. A small movement in Price may have a large impact on your CFD Margin Trades and Account and may result in immediate Account Close-Out.
- 6.4 There are costs associated with trading with us. Depending on the CFD Margin Trades you enter into, and how long you hold them for, we may require you to pay commission and/or holding costs. If you keep CFD Margin Trades open for an extended time, the aggregate holding costs may exceed the amount of any profits or increase your loss. Only trade with money you can afford to lose.

7. Retail Clients may lose their entire Premium when they enter into an Option CFD with us.

- 7.1 As a Retail Client, when you enter into a Long Option CFD with us, you risk losing the entire value of the Premium. When you enter into a Short Option CFD, your potential loss is limited to your Invested Capital.
- 7.2 There are costs associated with trading with us. Depending on the Option CFDs you enter into, and how long you hold them for, we may require you to pay Commission and/or Holding Costs. Only trade with money you can afford to lose.
- 7.3 Your risk will be dependent upon whether you "buy" (i.e. a long position) or "write" (i.e. a short position) an Option CFD.
- 7.4 Buying Option CFDs involves less risk than selling Option CFDs because, if the price of the underlying asset moves against you, you can simply allow the Position to expire. The maximum loss is limited to the Premium, plus any commission or other transaction charges.
- 7.5 If you "write" an Option CFD, the risk involved is considerably greater than a "buy" Option CFD. You may be liable for margin to maintain your Position (and therefore have to post Margin) and a loss may be sustained well in excess of the Premium received (subject to Negative Balance Protection).

8. Your CFD Margin Trades, Option CFDs and Positions are at risk of being closed automatically.

- 8.1 The automatic closure of your CFD Margin Trades, Option CFDs and/or Positions by our Platform is intended to prevent you incurring further losses and we may close all CFD Margin Trades, Option CFDs and/or Positions on your Account, not just the Positions 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 Revaluation Amount closely. Our Platform will attempt to notify you when your Account Revaluation Amount reaches a specific level, although you should not rely on our Platform giving you this warning. To prevent Account Close-Out, you should keep an amount in your Account that allows sufficient headroom to keep your Positions open in case of sudden changes to the required Margin or Premium amount resulting from Price movements and, in the case of Option CFDs, other factors such as volatility, time to expiry, etc. 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. Market circumstances may impact your trades in any of our Products.

- 9.1 Our Platform, and the information provided by our client management team, is dependent on the availability of prices and liquidity in the exchanges, markets and other venues from which we gather market data and similar information. As a result, market circumstances may impact on your ability to place an Order for or close a CFD Margin Trade or an Option CFD with us, and we may be unable to execute your Orders for CFD Margin Trades or an Option CFDs where we cannot enter into a corresponding transaction to hedge our own risk. Additionally, when we enter into a corresponding transaction to hedge our risk, this influences the Prices we quote on our Platform and/or through our client management team.
- 9.2 Financial markets may fluctuate rapidly and this will impact our Prices. Any movements in our Prices will have a direct and real time effect on your trades in any of our Products 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. [Where CMC offers out of hours trading, this risk still exists; this risk may be exacerbated by limited liquidity in the underlying market during out of hours trading.](#) In periods of price volatility there may not always be an opportunity for you to place an Order for a CFD Margin Trade or an Option CFD between two Prices, or for our Platform to execute a Pending Order (where available) 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 CFD Margin Trade or an Option CFD.
- 9.3 In respect of Option CFDs, other factors that can impact the value include but are not limited to, the remaining time to expiry or implied volatility of the underlying asset. This means that even if the value of the underlying asset has not changed, the value of the Option CFD may change.

10. The Price of our Products may be different from the Price you see on our Platform and/or the Price provided by our client management team when you place an Order.

- 10.1 As a result of fluctuations in financial markets and/or technical considerations, there is a risk that the Price which you see through your device and/or which is provided by our client management team when you place an Order will not be identical to the Price at which the Product is executed at or settled against and that the corresponding difference puts you at a disadvantage. We attempt to generate Prices on a continuous basis and to have the currently applicable Prices shown on our Platform as quickly as possible. However, technical conditions may lead to a change in the applicable Price between the time an Order is placed and the time it is received by us or executed by our Platform. If such changes occur, the Order is generally executed at the Price applicable when it is executed by our Platform.
- 10.2 Such movements in the Prices may either be to your disadvantage or have a favourable impact. You can limit the effect of such movements in Prices by using a boundary (on Orders where this is available) or by applying certain limits to your Order.

11. Technical risks and other circumstances may affect your trades in any of our Products.

- 11.1 There is a risk that other circumstances may prevent us from executing Orders, or prevent you from accessing our Platform and/or our client management team, such as system errors or outages. Such circumstances may mean that you are not able to access our Platform and/or our client management team, which may pose a significant risk to the execution of your Orders.

12. Different Products pose different risks.

- 12.1 We offer numerous Products, which are derived from very different underlying instruments. Each of these Products poses specific risks which can differ widely from other Products, for instance with regard to the range and speed of fluctuations in Prices or with respect to liquidity. Certain Products are more volatile than others and may be even more susceptible to sharp and sudden movements in Price, which could affect the value of your Positions. Therefore, you should ensure that you understand the specific risks of a Product before you open a trade in that Product.
- 12.2 Where a Product is based on multiple underlying instruments (known as a 'basket product'), the risk involved in that basket product will be dependent on its constituents. Similarities in a basket product's constituents can make the basket product riskier. If you choose to use a basket product then you should make sure that you understand the risks involved in: (a) all the different constituents, (b) the overall combination of constituents and (c) how the constituents are given their respective weightings.

13. Foreign markets add further risks.

- 13.1 Foreign markets will involve different risks from domestic markets and in some cases those risks will be greater than those typically associated with domestic markets. These risks can impair our ability to generate Prices. The potential for profit or loss from CFD Margin Trades or Option CFDs relating to foreign markets will also be affected by fluctuations in foreign exchange rates and you should consider how such fluctuations may affect you before entering into a CFD Margin Trade or an Option CFD.
- 13.2 In particular, where the relevant Product Currency is different to the relevant Account Currency, any Margin requirement, holding costs, realised and unrealised losses or profits will be converted to the Account Currency at the Currency Conversion Rate. Depending on the Currency Conversion Rate and currency fluctuations, this may have an impact on your Account Revaluation Amount and on any eventual profits that you make or losses that you incur.

13.3 Furthermore, Option CFDs may incur FX risk in respect of the Premium. For example, where you have a Long Position in an Option CFD in a Product where the Product Currency is different to the relevant Account Currency, the Premium will always be quoted in the Product Currency at the prevailing Currency Conversion Rate but the Premium will be converted into the Account Currency at the Currency Conversion Rate at the time that the Premium is due and payable i.e., when the Option CFD is closed or expires. Therefore, where the Product Currency and Account Currency differ, you will be exposed to FX risk in respect of the Premium between the time an Order for an Option CFD is executed and the time such Option CFD is closed or expires.

14. You should not finance your trades in any of our Products on credit.

14.1 You must not rely on being able to redeem borrowed funds with any profits from any trades in our Products.

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 Money that we hold on your behalf will be held in a segregated client money bank account separate from our own money, although this may not provide complete protection (for example, if the bank that we use becomes insolvent).

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

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 future.

18. Access to our Platform via mobile applications and to the client management team.

18.1 The functions that enable you to access our Platform via mobile applications are not identical to the functions available to you when accessing our Platform via a desktop computer. This may limit the information that you are able to see at any particular time and adversely affect your ability to take quick and reliable actions on our Platform and to limit the related risks.

18.2 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. Cryptocurrencies.

19.1 Cryptocurrencies, which are generally unregulated in themselves, are high-risk, speculative investments, which will impact any cryptocurrency CFD Margin Trades that you enter with us. However, CFDs (including CFD Margin Trades) linked to cryptocurrencies are regulated by the BMA in Bermuda.

19.2 The value of cryptocurrencies, and therefore the value of CFD Margin Trades linked to them, is extremely volatile. They are vulnerable to sharp changes in price due to unexpected events or changes in market sentiment. CFD Margin Trades are leveraged products. Therefore, the combination of increased volatility and leverage has the potential to significantly increase your losses if the market moves against you, relative to CFD Margin Trades based on other Products.

19.3 You should only invest in cryptocurrency CFD Margin Trades if you consider that you have the knowledge and experience of, and fully understand the risks associated with, both CFDs and cryptocurrencies.

20. Suspension of trading.

20.1 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 for the underlying rises or falls in one trading session to such an extent that trading in the underlying is restricted or suspended.

21. Reliance on the CMC Markets Platform.

21.1 The operation of your Account is reliant on the continuing operation of, among other things, our Platform, as amended and varied from time to time, internet connectivity, and your personal computer and related software. A fault, delay, or failure in any of these could result in delays or failures in respect of your Orders or Account. While we will endeavour to provide you with access to the Platform 24 hours a day, 7 days a week, we do not control signal power, its reception or routing via the internet, configuration of your equipment or reliability of its connection. We therefore cannot be responsible for any communication failures, distortions or delays experienced when you trade our Products via the Internet. By undertaking trades on our Platform, you will be exposed to risks associated with the system, including the failure of hardware and software. Your ability to recover certain losses which can be attributed to trading on our Platform may be limited to less than the amount of your total loss.

22. Reliance on third party data providers.

22.1 In addition, CMC Markets is dependent upon third party data providers to supply the information necessary for its operations. As with the reliance on the Platform (or the Trading System, as applicable), the operation of your Account is reliant on the continuing operation of these third party data providers. Any interruption in or cessation of services by any third party data provider could have a material adverse effect on your ability to open and close Positions.

23. Possible loss of funds in the event of insolvency or bankruptcy.

23.1 Your capital may be at risk in the event that CMC Markets, the counterparty to each of your trades in our Products, became the subject of insolvency or bankruptcy proceedings. In that event, you may lose part or all of your unrealized gains in a Position or your money appearing as a free credit balance on your Account. You may however be able to bring a claim against CMC Markets under applicable Bermuda bankruptcy and insolvency legislation.

23.2 In the event of the insolvency of any bank in which your client money is held, CMC Markets may only have an unsecured claim against the bank and you may be exposed to the risk that available assets are insufficient to satisfy your claims and the claims of all clients. Money held by the bank may be pooled with those belonging to other clients. In such circumstances, individual entitlements may not be separately identifiable and, in the event of an irreconcilable shortfall after insolvency, any clients whose assets have been pooled may share in that shortfall in proportion to their original assets in the pool. Any entitlements or other benefits arising in respect of pooled assets will be allocated pro rata whose assets are so pooled.

24. Changes to Applicable Law.

24.1 Changes to securities, tax and other laws and regulations, as well as to government, fiscal, and regulatory policies in respect of all or part of the business carried on by CMC Markets may have a material adverse effect on your dealings with CMC Markets.

24.2 CMC Markets is regulated and licensed in Bermuda by the Bermuda Monetary Authority (the “**Authority**”). As a regulated and licensed entity by the BMA, certain integral features of the Products we offer you, including the Margin percentage applied to Positions and the types of underlying instrument, are required to be in compliance with the regulations and other such rules of the Authority (the “**Authority Rules**”). The Authority Rules may be amended from time to time and this may have a materially adverse effect on the scope or attractiveness of the Products we offer to you.

25. Consumer and Regulatory Protections and Safeguards.

25.1 CMC Markets may not be regulated in the jurisdiction in which you ordinarily reside, and CMC Markets makes no representation that it has considered the Applicable Laws of your jurisdiction. You may wish to seek external advice prior to opening an Account with us.

25.2 If you choose to open an Account with CMC Markets, your rights may differ considerably from those which may have ordinarily applied to you in your country of residence. By opening an Account, you may be forgoing and waiving certain statutory rights and provisions, including but not limited to consumer and regulatory rights and protections, which may have otherwise been available to you in your home jurisdiction. This may negatively impact the legal recourses, dispute resolution mechanisms, and consumer protection safeguards which may have otherwise been available to you in your country of residence. You should consult with your own legal and financial advisers to determine whether trading without the benefit of the rights and protections which may otherwise have been afforded to you in your home jurisdiction is appropriate for your individual circumstances.

26. Execution Only Dealer and No Advice Provided.

26.1 CMC Markets is an execution only dealer and does not provide any investment advice or recommendations regarding the purchase or sale of any of our Products. Therefore, all trading decisions you may make should be done in reliance solely on your own judgment and at your own risk. You must rely on your own judgment and information before trading and, where appropriate, seek independent advice.

26.2 All opinions, news, research, analysis, prices or other information sent by email by us to you or contained on the Platform or our Website or on any of our affiliates’ website or through external third party sources are provided as general market commentary and do not constitute nor shall be interpreted as investment advice.