

RISK WARNINGS AND DISCLOSURES

This risk disclosure and warning notice, which is an appendix to the services agreement (hereinafter, the “**Agreement**”), is provided to you (our Client and prospective Client) in compliance to the Investment Services and Activities and Regulated Markets Law of 2017 - Law 87(I)/2017 (hereinafter, the “**Law**”), which is applicable to L.F. Investment Limited (hereinafter, the “**Company**” or “**We**” or “**Us**”).

All Clients and prospective Clients are strongly advised to read carefully the risk disclosures and warnings contained in this document, before applying to the Company for a trading account and before they begin to trade with the Company.

It is noted however that this document cannot, and does not, disclose or explain all of the risks and other significant aspects involved when dealing in Financial Instruments. According to the Law, this notice is 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. General Risk Warnings

The Client should not engage in any investment directly or indirectly in Financial Instruments unless he knows and understands the risks involved for each one of the Financial Instruments.

The Company will not provide the Client with any investment advice relating to investments or possible transactions in investments or in Financial Instruments or make investment recommendations of any kind.

Prior to signing the services agreement (the “**Agreement**”) with the Company, or making an order, the Client should consider carefully whether investing in a specific Financial Instrument is suitable for him in the light of his circumstances and financial resources.

If the Client does not understand the risks involved, he should seek advice and consultation from an independent financial advisor. If the Client still does not understand the risks involved in trading in any Financial Instruments, he should not trade at all.

The Client should acknowledge that he/she runs a great risk of incurring partial losses or all of his initial capital as a result of the purchase and/or sale of any Financial Instrument and accept that he is willing to undertake this risk.

2. General Risks

The Client is warned of the following general risks:

- (a) The Company does not and cannot guarantee the outcome of any investments in Financial Instruments and hence cannot guarantee the capital of the Client deposited in the trading account for trading purposes.
- (b) The Client should acknowledge that, regardless of any information which may be offered by the Company, the value of any investment in Financial Instruments may fluctuate downwards or upwards and it is even probable that the investment may become of no value.
- (c) Information of the previous performance of a Financial Instrument does not guarantee its current and/or future 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.



- (d) The Client is hereby warned that the transactions in financial Instruments undertaken through the Company may be of a speculative nature and large or all losses may occur in a short period of time.
- (e) Some Financial Instruments may not become immediately liquid as a result for example of reduced demand and the Client may not be in a position to sell them or easily obtain information on the value of these Financial Instruments or the extent of the associated risks.
- (f) A Derivative Financial Instrument (i.e. option, future, forward, swap, Contract for Difference) may be a non-delivery spot transaction giving an opportunity to make profit on changes in currency rates, commodity, stock market indices or share prices called the underlying instrument. The value of the Derivative Financial Instrument is directly affected by the price of the relevant underlying instrument.

3. Risks Particularly Associated with Transactions in CFDs

- (a) The Client must not purchase a Derivative Financial Instrument (i.e. option, future, forward, swap, Contract for Difference) unless he is willing to undertake the risks of losing partial or all the money which he has invested and also any additional commissions and other expenses incurred.
- (b) All Clients wishing to invest in Contracts for Differences (CFDs) should carefully read this part. However, it is noted that the information in this document cannot and does not disclose or explain all of the risks and other significant aspects involved in dealing in CFDs. It is emphasized that for many members of the public dealings in CFDs will not be appropriate. So, the Client should not engage in any dealings directly or indirectly in CFDs unless he knows and understands the features risks involved in them and that he may lose partial or all of his money and also be imposed of extra charges.
- (c) If the Client does not understand the risks involved in trading in CFDs, he should not trade at all.
- (d) The Client is warned of the following risks related to CFDs:
 - CFDs are derivative financial instruments, whose price is derived from the price of the underlying asset, the CFDs refer to (for example currency pair, stocks, metals, indices etc.). Derivative financial instruments and related underlying markets can be highly volatile. The prices of CFDs 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 declared price leading to losses or be executed at all. The prices of CFDs 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 underlying market place.
 - Some of the CFDs underlying instruments may not become immediately liquid because of reduced demand for the underlying instrument and Client may not be able to obtain the information on the value of these or the extent of the associated risks.
 - Trading in CFDs is speculative and involves a high degree of risk. Because it will be conducted using a margin (which covers only a small percentage of the value of the underlying asset being traded), as such, even small price changes in the underlying assets/products of CFDs can result in significant or complete losses. You should be aware that by trading with CFDs you may lose the margin held at the Company that serves for the purposes of collateral for opening and maintaining your trading positions. You may lose more than the margin invested. Therefore, trading in CFDs is appropriate only for persons



who: (a) understand and are willing to assume the economic, legal and other risks involved in such transactions; and (b) are financially able to withstand losses of their initial margin funds and any additional funds transferred to the Company to maintain their positions.

- When you engage in CFDs trading you are placing a trade in relation to movements of prices set by the Company. Prices quoted to you by the Company will include a spread, mark-up, or mark-down when compared to prices that the Company may receive or expect to receive if it were to cover transactions with you by a trade in the interbank market or with another counterparty. Be advised that the total impact of spreads may be significant in relation to the size of the margin you post and may make it more difficult for you to execute a profit from your trading. You should carefully consider the effect of spreads, mark-ups, or mark-downs on your ability to profit from trading.
- The “gearing” or “leverage” available in CFDs is a particular feature of CFD trading (i.e. the funds the Company requires you to provide when a position is opened compared to the notional size of trade you can enter into) and means that a small margin deposit can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the size of any loss or profit which can work against you as well as for you.
- You may lose more than the margin invested. The placing of certain orders (e.g. “stop-loss” or “limit” orders) that are intended to limit losses to certain amounts may not always be effective because market conditions or technological limitations may make it impossible to execute such orders. Please also note that for all orders (including guaranteed stop loss orders) you may sustain the loss (which your order is intended to limit) in a short period of time. In other cases, the execution of a Stop Loss orders may be worse than its stipulated price and the realized losses can be larger than expected.
- CFDs Transactions have a contingent liability, and the Client should be aware of the implications of this in particular the margining requirements of the Company. Clients are required to deposit funds in their trading account in order to open a position. The Margin requirement will depend on the underlying instrument of the CFDs. Margin requirements can be fixed or calculated from current price of the underlying instrument, as per the Agreement.
- The Client is responsible to monitor himself the account and he may need to deposit additional funds to maintain his positions(s). Should the margin capital be insufficient to hold current positions open, the Client may be asked to deposit additional funds at short notice or reduce exposure. Failure to do so in the time required in the margin call may result in the liquidation of positions at a loss and the Client will be liable for any resulting deficit.
- Transactions in CFDs are not undertaken on a recognized or designated investment exchange but they are undertaken through the Company’s trading systems whereby execution is effected via the Company and, accordingly, they may expose the Client to greater risks than 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 the counterparty in these instruments and consequently it may be difficult to establish what is a ‘fair price’.
- You may only engage in CFDs trading with the Company in the underlying assets (currencies and commodities) that are offered by the Company. The Company does not undertake to continue to offer all such underlying assets. The prices derive from the prices



of the underlying assets/markets and come from the relevant liquidity provider. The Company has no control over movements in the underlying prices which may be volatile and unpredictable. Such movements affect Company's prices, provided by liquidity provider, regardless on the fact if you can open or close a position and on the price at which you can do so.

- The Company may have access to information that is not available to you, may have acquired trading positions at prices that are not available to you and may have interests different from your interests. Subject to its Best Execution Policy, the Company does not undertake any obligation to provide you with market or other information that it possesses, nor to alter or refrain from its own trading.
- Some CFDs may not become immediately liquid and as a result you may not be in a position to sell them or easily obtain information on the value of these CFDs or the extent of the associated risks.

4. Third Party Risks

The Client is warned of the following third-party risks, which are in force unless otherwise specified in the Agreement:

- (a) The Company may pass money received from the Client to a third party (e.g. a liquidity provider) to hold or control in order to affect a Transaction through or with that person 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 any acts or omissions of any third party to whom it will pass money received from the Client.
- (b) The third party to whom the Company will pass 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 any other analogous proceedings in relation to that third party, the Company may only have an unsecured claim against the third party on behalf of the Client, and the Client will be exposed to the risk that the money received by the Company from the third party is insufficient to satisfy the claims of the Client with claims in respect of the relevant account. The Company does not accept any liability or responsibility for any resulting losses.
- (c) The Company may hold Client money on the Client's behalf outside the EEA. The legal and regulatory regime applying to any such bank or person will be different from that of Cyprus and in the event of the insolvency or any other analogous proceedings in relation to that bank or person, the Client money may be treated differently from the treatment which would apply if the money was held with a bank in an account in Cyprus. The Company will not be liable for the insolvency, acts or omissions of any third party referred to in this paragraph.
- (d) The Company may deposit Client money with a depository who may have a security interest, lien or right of set-off in relation to that money.
- (e) The Company is required to hold the Clients' money in an account that is segregated from its own money, but this may not afford complete protection in the event of default of the third party where the Client money is held.



5. Taxes

The Client is warned of the following:

- (a) There is a risk that the Client's trades in Financial Instruments may be or become subject to tax and/or any other duty for example because of changes in legislation or his personal circumstances.
- (b) The Agreement or the transactions undertaken under the Agreement may be subject to tax and/or any other stamp duty in certain jurisdictions and the Company does not warrant that no such tax and/or any other stamp duty will be payable as such.
- (c) The Client is responsible for any taxes and/or any other duty which may accrue in respect of his trades.

6. Technical Risks

The Client is warned of the following technical risks, in addition to the ones stated in the Agreement:

- (a) 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.
- (b) Since the Client undertakes transactions on an electronic system, he 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 his order is either not executed according to his instructions or it is not executed at all. The Company does not accept any liability in the case of such a failure.
- (c) The Company has no responsibility if unauthorized third persons gain access to Client information, including electronic addresses, electronic communication and personal data, access data when this is due to the Client's negligence or when the above are transmitted between the Company and the Client or any other party, using the internet or other network communication facilities, or any other electronic means.
- (d) The Client acknowledges that the unencrypted information transmitted by e-mail is not protected from any unauthorized access.
- (e) At times of excessive deal flow the Client may have some difficulties to be connected on the Company's system(s), especially in volatile Market (for example, when key macroeconomic indicators are released).
- (f) The Client acknowledges that the internet may be subject to events which may affect his access to the Company'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. Unless otherwise specified at the Agreement, 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 Systems or delay or failure in sending orders or Transactions.
- (g) The Client is warned that while trading in an electronic platform he assumes risk of financial loss which may be a consequence of amongst other things:
 - Failure of Client's devices, software and poor quality of connection.
 - The Company's or Client's hardware or software failure, malfunction or misuse.
 - Improper work of Client's equipment.
 - Wrong setting of Client's Terminal.
 - Delayed updates of Client's Terminal.



- (h) In connection with the use of computer equipment, data and voice communication networks, the Client solely bears the following risks, amongst other risks, in which cases the Company has no liability of any resulting loss (unless otherwise specified at the Agreement):
- Power cut of the equipment on the side of the Client or the provider, or communication operator (including voice communication) that serves the Client.
 - Physical damage (or destruction) of the communication channels used to link the Client and provider (communication operator), provider, and the trading or information server of the Client.
 - Outage (unacceptably low quality) of communication via the channels used by the Client, or the channels used by the provider, or communication operator (including voice communication) that are used by the Client.
 - Wrong or inconsistent with requirements settings of the Client Terminal.
 - Untimely update of the Client Terminal.
 - The use of communication channels, hardware and software, that generates the risk of non-reception of a message by the Client from the Company.
 - Malfunction or non-operability of the trading system (platform), which also includes the Client Terminal.
 - Outage (unacceptably low quality) of communication via the channels used by the Company, in particular physical damage (destruction) of the communication channels by third parties.

7. Force Majeure Events

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 and the Client shall accept the risk of financial loss. Refer to the Agreement for more information.

Insolvency: The Company's insolvency or default, may lead to positions being liquidated or closed out without the Client's consent. In the event of insolvency, the Client may suffer losses. Please refer to the Investor Compensation Fund on our website for more details.

Foreign Currency: 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. A Financial Instrument with a currency as the underlying asset, the prospect of profit or loss from transactions on foreign markets is also affected by exchange rate fluctuations. The Client's attention is expressly drawn to currencies traded so irregularly or infrequently that it cannot be certain that a price will be quoted at all times or that it may be difficult to effect transactions at a price which may be quoted owing to the absence of a counter party.

Abnormal Market Conditions: 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. There may be situations, movements and/or conditions occurring at weekend, in the beginning of week or intra-day after release of significant macroeconomic figures, economic or political news that make currency markets to open with price levels that may substantially differ from previous prices. In this case, there exists a significant risk that orders issued to protect open positions and open new positions may be executed at prices significantly different from those designated.

8. Risk warning and Disclosures to CFDs with underlying asset a virtual currency pair



- Engaging in trading CFDs with underlying asset a virtual currency pair, and due to high volatile nature of these pairs, you might be exposed to higher risks than trading the assets themselves or trading other CFDs with other underlying assets.
- In the case of CFDs with underlying asset a virtual currency, there might be sudden changes in prices of certain instruments which may result in significant loss over a short period of time. In addition, CFDs on virtual currencies may be subject to large price fluctuations and in some instances, due to the early stages of their lifecycle, they may lose entire value.
- In the case of CFDs with underlying asset a virtual currency, there might be sudden changes in prices of certain instruments which may result in significant loss over a short period of time. This can happen during economic event or market announcements or geopolitical events, news, or even due to adverse media or fake news. Gaps can occur when markets open or close or even during normal trading hours. If the market is closed when these factors occur, the opening price of the underlying asset can be substantially different from the closing price, giving you no opportunity to close your trade in-between. Pricing gaps can result in significant losses.
- Virtual currencies are traded on non-regulated decentralized digital exchanges. Accordingly price formation and price movements of the virtual currencies depend solely on the internal rules of the particular digital exchange, which may be subject to change at any point in time and without notice. This often leads to a very high intra-day volatility in the prices of the virtual currencies which may be substantially higher compared to other financial instruments. Therefore, by Trading CFDs in virtual currencies you accept a significantly higher risk of loss of your invested capital which may occur within a very short timeframe as a result of sudden adverse price movements of the virtual currencies.
- You should know that the market liquidity related to virtual currencies comes from the digital decentralized exchanges which the virtual currencies are traded on. Due to the non-regulated nature of such exchanges, the market data and price feed information provided by such exchanges may be subject to the internal rules and practices of such exchanges which may significantly differ from the rules and practices observed by the regulated exchanges. In particular, you should be aware that the pricing formation rules
- for more details, including applicable costs, please see the [Key Information Document \(KID\) - Cryptocurrencies](#).

