

RISK AND DISCLOSURE NOTICE

This Risk and Disclosure Notice (the “**Notice**”) informs you about risks associated with trading in the Financial Derivatives, which you may invest in through the services offered by KTM Companies, including without limitation:

- **Key to Markets International Limited**, a company incorporated as a Private Company limited by shares in the Republic of Mauritius, under Company number 169425 and regulated by the Financial Services Commission, Mauritius as an Investment Dealer (Full Service Dealer, excluding Underwriting), Licence number GB19024503,
- **Key to Markets NZ Limited**, a company incorporated as a NZ Limited Company in New Zealand under Company number 4472148,
- **Key to Markets Limited**, a company incorporated as a Limited Company in England and Wales under Companies House number 07276568 and authorised and regulated in the United Kingdom by the Financial Conduct Authority under Firm Reference number 527809,
- **K2 Markets Ltd**, a company incorporated as a Private limited company in England and Wales under Companies House number 11822101 and authorised and regulated in the United Kingdom by the Financial Conduct Authority under Firm Reference number 916441,
- **Key to Pay Ltd**, a company incorporated as a Private limited company in England and Wales under Companies House number 11723452,

Individually or in any combination referred to in this Notice as “**KTM**”, “**we**”, “**our**” or “**us**”.

This Notice serves only as a general guide to the risks involved in trading the Financial Derivatives and it does not disclose all of the risks and other significant aspects of such trading. It is intended as a supplement to all other risk disclosure documents provided to you during the Account opening process. This Notice shall form part of the Terms of Business (the “**Terms**”), which shall govern your relationship with us. Capitalised terms not defined in this Notice shall have the definition given to them in the Terms.

All investments are subject to risk and the degree of risk is a matter of judgement and cannot be accurately pre-determined.

Trading in Financial Derivatives may not be suitable for all investors. **The majority of retail investor accounts lose money when trading Financial Derivatives with us. You should only speculate with money you can afford to lose. You must determine if the risks involved are appropriate for your investment strategy in light of your experience, objectives, financial resources and other relevant circumstances. You should undertake any Transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. If you do not fully understand the risks involved, we suggest that you seek independent advice.**

Nothing on our Website, emails or any other form of communication or advertisement is intended to be a recommendation or an offer to buy or sell in any Financial Derivative markets. No representation, implicit or explicit, has been made that any Account will or is likely to, realize any particular profit or loss. The past performance of any Financial Derivative is not indicative of future results, and the value of any Financial Derivative can go down as well as up. When you invest in a Financial Derivative, you do not acquire any rights in the Underlying Asset.

1. **No Advice**

We may, from time to time and at our sole discretion, provide you (via the Website or otherwise) with information, news, market commentary or other information but not as part of our Services to you as our Client. We will not be responsible for, and give no representation, warranty or guarantee as to the accuracy, correctness or completeness of, such information or as to the tax or legal consequences of any Transaction. Market commentary, news or other information made available to you are subject to change and may be withdrawn at any time without notice.

We do not provide you with any investment, legal, regulatory, tax, accounting or other form of advice or recommendation. Any decision to invest into Financial Derivative market shall be your own responsibility. If you are unsure about the legal, regulatory, tax, accounting or any other implications of investing into the Financial Derivatives please seek independent professional advice.

2. **Appropriateness**

Trading in Financial Derivatives requires more knowledge and experience than trading the traditional financial instruments and may not be suitable for everyone. We assume that you have enough knowledge and experience to transact in the leveraged products.

When you apply for setting up an Account, we ask you about your financial assets and earnings. We do not check the information you provide to us for consistency with the amount of funds you send to your Account. It is entirely your responsibility to assess whether the Financial Derivatives you invest to are suitable for you and are adequate to your risk appetite.

3. **Leverage and Gearing**

Before you will be permitted to open a Transaction you need to deposit with us the amount of Margin in your Account that we consider appropriate. Once a position has been opened you may be required to post additional amounts with us during the term of the trade.

Usually, the initial Margin is only a small percentage of the total value of a Financial Derivative trade so that Transactions are 'leveraged' or 'geared'. As the movement of the Underlying Asset determines the financial outcome of the trade, your profit or loss can substantially exceed your initial deposit very rapidly. The level of the initial Margin required by us does not indicate or in any way limit your potential losses. You may sustain a total loss of initial Margin funds and any additional funds deposited with us to maintain your position.

Subject to the change of Margin requirements by our Liquidity Providers we may change the Margin rates at short notice, in which case you will have to deposit additional funds to your Account. Failure to do so will result in automatic closure of your positions.

It is important to monitor your positions because, due to the effect of gearing, even a small market movement can lead to a proportionally larger change in the value of your investment and therefore magnify your profits or losses.

4. **Liability**

You may lose substantially more on one position than you have deposited in Margin. Any market losses exceeding the amount of Margin lodged by you will be taken from your cash balance available on your Account. Losses exceeding the cash balance will cause the automatic closeout of some or all of your outstanding Transactions. KTM bears no responsibility for losses sustained or profits missed on trades closed in this manner. If after closing out all Transactions your cash balance is still negative, you will be liable to cover that

shortfall to us. If you fail to comply with a request for additional funds, we may, subject to the Agreement, cancel any or all outstanding Orders and offset any or all open positions in your Account. In such circumstances you would be liable to us for any deficiency or debit balance which might result.

5. **Margin Liquidation Fees**

From time to time you may be called upon to deposit substantial additional Margin, at short or no notice, to keep your Transaction open. If you do not provide such additional funds within the time required, your Transaction may be closed at a loss and you will be liable for any resulting deficit.

6. **Limiting your Risk**

Stop Loss, Limit and OCO Orders are not guaranteed. Hence, although they are intended to limit losses to a certain amount they may not be effective because market conditions may make it impossible for us to execute such Orders. At times, it is also difficult or impossible for us to liquidate a position without incurring substantial losses.

The execution of Stop Loss and Limit Orders is subject to market conditions. Every time the market prices change, we will check to see if any Stop Loss or Limit Orders have been breached. In the event that they have, your Orders will be filled at the prevailing price, not necessarily the exact level of the Stop Loss or Limit Order. This means that Limit Orders can be filled at levels disadvantageous to the Client and Stop Loss can be filled at worse levels than expected. This is possible because markets do not move smoothly. At times they can 'gap' (suddenly shift) from one price to another. Gapping may occur because of major market news or economic events, both when the market is open and when it is closed. If the factors leading to gapping occur, when the market is closed, it may reopen with prices markedly different from the closing levels. It may not always be possible for you to place an Order between two different price levels or for the Trading Platform to execute an Order at a price between these levels.

System, communications, and other delays can further exacerbate this risk.

You are responsible for monitoring and funding your position at all times in order to avoid the potential close outs and the resulting losses. You may not rely on us or on the Trading Platform's functionality as a risk management tool.

7. **Currency**

If your Transactions are nominated in a currency other than your Account currency, your profits and losses will be affected by the foreign exchange fluctuations.

8. **Counterparty Risk**

Your positions may be liquidated without your consent due to the insolvency or default of any Liquidity Provider involved in your Transactions. You may not be able to get back all, or any part of, your investments. Similarly, you may lose your money in the event of insolvency of the bank, where we or our Liquidity Providers deposit the client funds.

9. **Overseas Markets**

Trades on markets in various jurisdictions may expose you to additional risks and costs. Please seek further advice and information on these risks before trading in the particular markets.

10. **Regulatory and Legal Risk**

Your trading may be affected by changes in laws and regulations in the underlying markets. Particularly, such changes may increase the Transaction costs and thus reduce the attractiveness of your investments.

11. **Force-Majeure**

At times, Abnormal Market Conditions and other Force-Majeure Events may make trading Financial Derivatives more risky. You may not always be able to close your position on the same terms as when you opened it, to liquidate it, to assess its value or even to assess your exposure to risk.

If a Force-Majeure Event occurs, your position may be closed at then prevailing market price or may be unable to be managed for a period of time. You may suffer losses as a result of a Force-Majeure Event and we will not be liable to compensate for such losses.

12. **Electronic Trading**

Trading through an electronic trading software or order routing system exposes you to risks associated with system or component failure, it is possible that for a certain time period, you may not be able to enter new Orders, execute existing Orders on the given terms or execute them at all, or modify or cancel Orders that were previously entered. System or component failure may also result in loss of Orders or Order priority. KTM assumes no responsibility for any loss resulting from system or component failure, illegal intervention in network equipment, malicious blocking or access by third parties or viruses introduced into your equipment via the Trading Platform.

13. **Referral**

Due to the nature of this business your Account may have been referred to KTM by a third party Introducer/Referral Agent. KTM does not supervise the activities of Introducers/Referral Agents and assumes no liability for any representations made by any Introducer/Referral Agent. KTM and any Introducer/Referral Agent are wholly separate and independent of one another. The agreement between KTM and any Introducer/Referral Agent does not constitute a joint venture or partnership and any Introducer/Referral Agent is not an agent or employee of KTM. KTM may compensate any Introducer/Referral Agent for introducing Clients to KTM and such compensation may be on a per-trade basis or another basis. KTM does not control and cannot endorse nor vouch for the accuracy or completeness of any information or advice the Client may have received or may receive in the future from any Introducer/Referral Agent or from any other person not employed by KTM, regarding Financial Derivatives trading or the risks involved in such trading. Any Introducers/Referral Agents or third party vendors of trading systems, courses, programs or research may not be regulated by a regulatory authority. If Clients are introduced to KTM by an Introducer/Referral Agent that Introducer/Referral Agent might have the right to access the Client's trading Account statement, but the Introducer/Referral Agent shall not have the right to enter into any trades on the Client's behalf unless authorised by Client under a power of attorney granting such Introducer/Referral Agent the right to trade on the Client's Account.