



FxPro UK Limited

# Risk Disclosure Notice

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## Contents

1. Introduction .....	3
2. Investment risks .....	4
3. Technical risks .....	6
4. Other risks .....	7

PLEASE READ THE CONTENT OF THIS NOTICE CAREFULLY TO UNDERSTAND ALL THE RISKS ASSOCIATED WITH FINANCIAL INSTRUMENT TRANSACTIONS. YOU SHOULD SEEK INDEPENDENT PROFESSIONAL ADVICE IF THE CONTENT OF THIS NOTICE IS UNCLEAR TO YOU.

## 1. Introduction

- 1.1 This document forms our Risk Disclosure Notice (this **Notice**) and outlines key considerations in relation to the risks associated with the services provided to you.
- 1.2 We will provide the following services to you:
  - (a) Facilitating the conclusion of transactions in Financial Instruments by receiving and transmitting your orders to third-party brokers and arranging for the settlement of the same.
  - (b) Holding client money in segregated accounts and providing custody services.
- 1.3 You should be informed about the risk element involved in trading financial instruments prior to entering trades, namely the possibility of your investment not only rising, but also falling, which could result in getting back less than the initial investment. You should be aware that you could end up losing your entire initial investment. You should never refer to the past performance of a Financial Instrument to determine its future performance.
- 1.4 We offer our services on a non-advisory basis. We will not recommend a particular Financial Instrument as more appropriate than another. You determine your investment strategy and choices, and you are responsible for the orders submitted, the composition of your portfolio and any related risks.
- 1.5 In the provision of our services to you, we are not required to assess the suitability of the Instrument offered to you, and as a result you do not benefit from the protection of the Financial Conduct Authority's rules on assessing whether the product is suitable for you as per the product governance rules.
- 1.6 We assess the instrument's appropriateness by reference to your knowledge and experience about the specific instruments that are available through us. If you have limited experience and/or knowledge, you will be provided with a warning that the specific instruments are not appropriate for you and will be asked to confirm whether you still want to proceed prior to being accepted as a client.
- 1.7 IF YOU ARE IN DOUBT AS TO WHETHER A FINANCIAL INSTRUMENT IS APPROPRIATE IN LIGHT OF YOUR CURRENT NEEDS, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

- 1.8 NONE OF THE INFORMATION, RESEARCH, OR OTHER MATERIALS PROVIDED BY US, DIRECTLY OR INDIRECTLY, OR AVAILABLE ONLINE CONSTITUTES ADVICE, A RECOMMENDATION, OR A SOLICITATION TO BUY OR SELL SECURITIES. YOU ARE RESPONSIBLE FOR EVALUATING THE MERITS AND RISKS ASSOCIATED WITH THE USE OF ANY INFORMATION/MATERIAL PROVIDED BY US BEFORE MAKING ANY DECISIONS BASED ON SUCH INFORMATION/MATERIAL. YOU AGREE NOT TO HOLD FXPRO OR ANY THIRD-PARTY PROVIDER LIABLE FOR ANY POSSIBLE CLAIM FOR DAMAGES ARISING FROM ANY DECISION YOU MAKE BASED ON THE INFORMATION/MATERIAL MADE AVAILABLE TO YOU. WE CANNOT GUARANTEE THAT INFORMATION/MATERIAL PROVIDED TO YOU IS - AT ALL TIMES - CORRECT. IT IS YOUR RESPONSIBILITY TO ALWAYS REVIEW - CRITICALLY - THE INFORMATION PROVIDED TO YOU ABOUT FINANCIAL INSTRUMENTS (FOR EXAMPLE, BY CHECKING THAT THE INFORMATION PROVIDED IS IN LINE WITH THE INFORMATION AVAILABLE ON THE WEBSITE OF THE ISSUER OR OTHER PUBLICLY AVAILABLE SOURCES).
- 1.9 Unless otherwise defined here, capitalised terms have the same meaning as in the Terms and Conditions.

## 2. Investment risks

### Insolvency Risk

- 2.1 In cases where the underlying Financial Instruments are shares in a company, you should be aware of the applicable insolvency risks. Shareholders own a part of the issuing company's share capital. In the event of bankruptcy, shareholders could end up losing their entire investment as the value of its shares may decrease significantly. In such event, the order of repayment priority does not benefit ordinary shareholders, as they typically rank lowest; meaning that other creditors can be higher in priority. The absence of any more assets available for realisation by the time of your turn would cause you to lose your entire investment in the shares of that company.

### Volatility and Market Risk

- 2.2 The value of a share is directly connected to the financial status of the company. Companies that do well increase in value, whereas companies that do poorly reduce in value. The price of a company's share will significantly change if there is higher uncertainty regarding its future prospects and mainly depends on macro-economic developments, news on the company and/or the sector and its dividend policy.
- 2.3 You should be aware that market prices can suddenly change for many reasons, including gapping in a volatile market (where the price opens significantly above or below the

closing price of the previous day) or slippage (where the price quoted at the time of submission of the Order is different from the execution price).

### **Currency Risk**

- 2.4 Changes in foreign exchange rates may affect your profits and losses, where for example your Instruments are denominated in currencies other than the default currency of your FxPro Account (e.g., USD).

### **Liquidity Risk**

- 2.5 Liquidity risk depends on the volume of transactions in the specific share/exchange traded funds (**ETFs**). The higher the volume of transactions the lower the liquidity risk. If the share/ETF is not sufficiently liquid, you run the risk of being unable to sell the securities or being unable to do so directly at the market price. When instruments are less liquid the bid/ask spread will be wider, leading to higher transaction costs especially during abnormal market conditions.

### **UCITS Exchange Traded Funds' specific risks**

- 2.6 ETFs are a simple way to achieve a diversified investment portfolio. ETFs available via FxPro are bought and sold on regulated markets i.e., exchanges and the market price may differ from the net asset value (the total of all that fund's investments per unit). ETFs are also subject to liquidity risk since some ETFs are less liquid and their liquidity can change significantly especially during abnormal market conditions.
- 2.7 Most ETFs are passive index tracking, which means, they try to recreate the performance of an index. However, there are also actively managed ETFs aiming at exceeding the performance of a benchmark/index. The exact way in which the fund manager composes the investment portfolio is described in detail in the relevant prospectus. ETFs are managed by a Fund Manager who is charging fees for this service.
- 2.8 ETFs can invest in almost anything. The investment policy found in the ETF's prospectus explains in detail in what asset classes, geographical areas and other applicable investment restrictions the ETF Manager must follow. The higher the risks of the underlying investments, the higher the market risk of the ETF. ETFs that utilize leverage to increase their exposure will have a higher market risk. ETFs may also be subject to counterparty risk specifically with their prime brokers. However, in the case of undertakings for collective investments in transferrable securities (**UCITS**), the counterparty risk is limited due to restrictions on the maximum allowed leverage and

other provision of the UCITS legislation aimed at protecting retail investors when investing in UCITS.

- 2.9 All UCITS ETFs must provide a Key Investor Information Document (**KIID**). The KIID provides a brief description of the investment proposition that the investment institution offers, in non-technical terms. An indication of the market risk, explanation of the main risks, as well as disclosures of fees and charges of the ETF can be found in the KIID. The KIID will be available on the website of the ETF Manager.
- 2.10 ETFs in addition to market risk and liquidity risk are subject to the following risks:
- (a) **Tracking risk** - The return of an ETF can be lower than the return of the underlying index or benchmark because the ETF may not be able to mirror the index exactly, may need to use hedging instruments or must use currency conversions or because of the fees that are being charged to the assets of the ETF.
  - (b) **Counterparty risk** - In case the index is replicated synthetically, there is a counterparty risk in relation to the swap/derivative counterparty. It is also applicable in the case of leveraged ETFs.
  - (c) **Leverage risk** - Some ETFs use leverage thus magnifying the effect of market fluctuations on the value of the ETF.
  - (d) **Premium/discount to the NAV** - Market price on the exchange may differ from the Net Asset Value (**NAV**) of the ETF.
- 2.11 You can find more information regarding the above in the ETF's documents, such as the KIID and the prospectus. We recommend you read these documents carefully before buying any ETF.

### 3. Technical risks

- 3.1 We will always try to ensure that the BnkPro App and our FxPro Platforms are available to you without interruption, however this cannot be guaranteed. You may therefore not be able to submit your Orders in the event of interruption and you similarly may not be able to monitor your Positions.
- 3.2 You may find that trading in a particular Financial Instrument may be temporarily impossible or be seriously delayed, or you may not be able to submit orders through a specific communication channel. Certain information may also be unavailable (such as price information or executed Order reports), which can lead to substantial damage in cases arising. There may also be interruptions of trade, often to prevent or cure irregular pricing. Note that the various market parties, including us, are not responsible for malfunctions, interruptions of trade and other similar situations. You will bear any damages incurred as a result. We take reasonable steps to avoid this scenario, including the deployment of reliable third parties with a good reputation for their services.

- 3.3 We may decide to temporarily halt the acceptance of Orders altogether or through specific channels on the event of a malfunction within our trading infrastructure, such as a malfunction in the BnkPro App/ FxPro Platforms, or in the connections with market data providers. We will try to notify you of a malfunction through a message on the Website or otherwise. You can refer to the Order Execution Policy for further instructions on what to do in the event of a malfunction.

## 4. Other risks

### Tax

- 4.1 Your trading in Instruments may be subject to different tax regimes. This can be affected by your personal tax status and the applicable rules and regulations in force. You must determine the tax implication applicable to you and your trading. If you are in doubt or uncertain as to the position, you should consult an appropriate professional. We do not provide tax advice.

### Borrowings

- 4.2 You should continue your trading activity only to the extent of the losses that you can bear. You should never borrow funds to finance your Account with us and expect to generate earnings to repay your borrowings.

### No Guarantee of Rights

- 4.3 You may not always be able to exercise rights to dividends, as payment of such is not guaranteed. You similarly may not have the opportunity to exercise any voting rights attached to the relevant instruments at general meetings of the issuing company. When you exercise your voting rights the relevant instruments may be blocked temporarily, and you may not be able to sell those instruments during the blocking period.