RISK DISCLOSURE

RISK DISCLOSURE

1. Introduction

Key Way Financial (Pty) Ltd (hereinafter “**Key Way**” or the “**FSP**”) is authorized and regulated by the Financial Sector Conduct Authority (“**FSCA**”) under license number 49976 to provide intermediary services in connection with derivative instruments. This disclosure is provided to you in compliance with the Financial Advisory an Intermediary Services Act (37 of 2002, i.e., “**FAIS Act**”) and contains important information about the risks associated when dealing with Contracts for Difference (“**CFDs**”) or other financial derivative products. This document cannot and does not disclose or explain all of the risks and other significant aspects involved in trading in CFDs or any other financial derivative products.

The FSP does not conduct market making nor will it be the counterparty to your trades in CFDs. The FSP merely provides a website through which you may visit the product supplier’s website in order to decide whether you wish to open a trading account. In this respect, you are advised to carefully read and understand the product supplier’s Risk Disclosure statement and any other relevant disclosures and documents.

2. Complex Instruments Warning

Complex Instruments are derivative products which entail significant risks. This notice is provided to you in compliance with the FAIS Act. You should not deal with complex instruments unless you understand their nature and risks involved as well as your personal exposure to such risks. You should be satisfied that the product is appropriate for you in the light of your circumstances, objectives and financial standing.

Although complex instruments can be utilized for the management of investment risk, some of these products are unsuitable for many investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should first make yourself acquainted with the risks associated with the investments. Independent financial advice is necessary if you are unsure whether such complex instruments are appropriate for you.

3. Products Description

A CFD is an agreement between a ‘buyer’ and a ‘seller’ to exchange the difference between the current price of an underlying asset (currencies, commodities, indices, shares etc.) and its price when the contract is closed.

CFDs are leveraged products. They offer exposure to the markets while requiring you to only put down a small margin (‘deposit’) of the total value of the trade. They allow investors to take advantage of prices moving up (by taking ‘long positions’) or prices moving down (by taking ‘short positions’) on underlying assets.

When the contract is closed you will receive or pay the difference between the closing value and the opening value of the CFD and/or the underlying asset(s). If the difference is positive, the Company pays you. If the difference is negative, you must pay the Company.

Notwithstanding the above, the product supplier provides you with a negative balance protection, per trading account, ensuring that you will not enter into a negative balance and be required to recover such losses and/or pay the product supplier the difference.

CFDs might seem similar to mainstream investments such as shares but they are different as you never actually buy or own the asset underlying the CFD. Although CFDs and derivative products in general

can be utilised for the management of investment risk, they are unsuitable and not appropriate for many clients as they carry a high degree of risk.
CFDs and other financial derivatives are leveraged products and involve a high level of risk. It is possible to lose all your capital.

Before trading in these financial products, you should ensure that you fully understand all the risks involved and the extent of your exposure. Seek independent advice if necessary. If you do not understand how these financial products work then you should not trade them.

4. Trading is considered to be risky and speculative

You are responsible for all the losses suffered in your trading account held with the product supplier. Consequently, you should be prepared to lose all your invested capital due to fluctuations in value. Do not invest money you cannot afford to lose.

5. Leverage

Before you open a trade on CFDs or other financial derivative products through your trading account with the product supplier, you will required to add money in the trading account in order maintain a margin. This margin is usually a relatively modest proportion of the overall contract value. This means that you will be trading using “leverage” or “gearing”. This means that a relatively small market movement can lead to a proportionately much larger movement in the value of your position and this can work either against you or in your favor.

At all times during which you have open trades, you must maintain enough equity in your trading account, taking into consideration all accrued profits and losses, for meeting the margin requirements. It is your responsibility to monitor your trades closely. If prices move against you then you must deposit sufficient funds to avoid any margin calls/stop outs; otherwise the product supplier will be entitled to automatically close one or more or all of your trades (including any positions that are currently showing a profit).

The nature of margin trading markets means that both profits and losses can be magnified and you could incur very large losses if your position moves against you. However, you cannot lose more than the balance on your trading account.

6. Stop Out (Margin close-out) rule

The product supplier applies a margin close out (i.e., stop-out) rule on a per account basis. This means that in a situation where the equity in your trading account (including unrealized profit/losses) reaches or drops below the margin level required to maintain your open positions (i.e., 50% of the total margin required to maintain the open positions), the product supplier will start automatically closing your open positions on CFDs (starting from the least profitable positions and until the margin level requirement is met) in order to prevent further losses in your trading account. Please also refer to the product supplier’s Terms and Conditions of Business (i.e., Client Agreement) and other relevant disclosures.

7. Appropriateness

The product supplier requires you, prior to you opening a trading account with the product supplier, to assess whether trading in CFDs or other derivative products is appropriate for you (i.e., the appropriateness test). If, based on the information you provided during the online account opening procedure, the product supplier determines that trading on CFDs, Forex or other derivative products is not appropriate for you, it will provide you with a warning informing you of this.

If you pass the appropriateness test this does not relieve you of your responsibility, given the risks involved, to carefully consider on an initial and on-going basis whether to trade in CFDs and derivative products in general.

Subject to the obligation to assess the appropriateness of trading in CFDs in connection with your circumstances, please note that any decision whether or not to open an account, and whether or not you understand the risks is solely yours. It is also up to you to assess whether your financial resources are adequate and what level of risk you are willing and able to take.

8. CFDs are Over-the-Counter (OTC) derivatives

CFDs and Forex contracts are not regulated by a recognized or designated investment exchange and are known as "Over-the-Counter" (OTC) transactions as they will not be executed on a recognized or designated investment exchange. Accordingly, when you trade in CFDs, Forex or any other derivative product with the product supplier, you enter into off-exchange ("OTC") derivative transactions, by placing your orders through the product supplier's trading platform.

All positions entered into with the product supplier must be closed with the product supplier and cannot be closed with any other entity. In this case, you are exposed to the risk of the product supplier's default. Counterparty risk is the risk that the counterparty defaults and is unable to meet its financial obligations. There is no clearing house for CFDs.

OTC transactions may involve greater risk than investing in on-exchange contracts 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 OTC transaction or to assess the exposure to risk.

9. Underlying Market Volatility

CFDs and other financial derivative products are instruments that allow you to trade on price movements in underlying markets/instruments. Even though the product supplier offers its own prices at which you trade CFDs and other financial derivative products, the product supplier's prices are derived based on the underlying instruments/markets.

It is important for you to understand that the prices of the underlying instruments and the derivative financial instruments may fluctuate rapidly and over wide ranges, reflecting unforeseeable events or changes in market conditions, none of which can be controlled by you or the product supplier, and consequently affect your profitability. Under certain market conditions, it can be impossible for the product supplier to execute any types of client orders at the declared price. Therefore, even an open trade with a "stop loss" order cannot always guarantee the limit of loss.

You should also be aware of "gapping" where events occur that result in a sudden and significant profit or loss on your account. "Gapping" can occur either when the underlying instrument/market is open or when it is closed.

If you do not have enough time to monitor your investment on a regular basis, you should not invest in CFDs or other complex financial instruments. These products are not suitable to 'buy and hold' trading. They can require constant monitoring over a short period of time. Even maintaining your investment overnight exposes you to greater risk and additional costs. The volatility of the market together with the extra leverage on your investment can result in rapid changes to your overall investment position. Immediate action may be required to manage your risk exposure or to post additional margin.

CFDs are therefore only suitable for those customers who fully understand the market risk and have previous trading experience. If unsure, it is advisable to seek independent advice.

10. Lack of Liquidity

Under certain market conditions, it may difficult or impossible to close-out a CFD trade. This may occur, for example, where trading on the underlying financial instrument is suspended or restricted at times of rapid price movements.

If there is no liquidity in the relevant underlying financial instrument, you may be unable to trade CFDs referencing the specific underlying financial instrument.

11. Execution Risk

Execution risk is associated with the fact that trades may not take place immediately. For example, there might be a time lag between the moment you place your order through the product supplier's trading platform and the moment it is executed. In this period, the market might have moved against you. That is, your order is not executed at the price you expected.

If trading after the market is closed, be aware that the prices for these trades can differ widely from the closing price of the underlying asset. In many cases, the spread can be wider than it is when the market is open.

12. Costs and Charges

All relevant costs and charges will be provided by the product supplier or set out on the product supplier's website. You should be aware of such costs and charges as they will influence your account's profitability.

In addition to any profit or losses, there are different types of costs linked to transactions in derivative products. Costs will impact the effective return. Costs related to derivative trading may include bid-offer spreads, daily and overnight financing costs, account management fees and taxes. These costs can be complex to calculate and may outweigh the gross profits from a trade.

Swap Values and Charges

If you hold any positions overnight, then an applicable swap charge will apply. The swap values are clearly stated on the product supplier's website and accepted by you during the online account opening process as they are described in the product supplier's Terms and Conditions of Business (i.e., Client Agreement).

The swap rate is mainly dependent on the level of interest rates as well as the product supplier's fee for having an open position overnight. The product supplier has the discretion to change the level of the swap rate on each financial instrument at any given time and you acknowledges that you will be informed of any such changes via the product supplier's website. You further acknowledge that you are responsible for reviewing the contracts specifications located on the product supplier's website and for being updated on the level of swap value prior to placing any order with the product supplier.

13. Tax

You should understand the tax treatment of any profits, gains or losses you may make trading CFDs or other derivative financial instruments with the product supplier. You should consult a professional tax consultant for taxation advice.

14. No Advice or Fiduciary Duty

The FSP does not provide personal recommendations or investment advice and has not considered any of your personal circumstances or your investment objectives. Each decision by you to enter into a CFD or Forex contract with the product supplier and each decision as to whether a transaction is appropriate or proper for you, is an independent decision made solely by yourself. The FSP is not acting as an advisor or serving as a fiduciary to you. You agree that the FSP has no fiduciary duty to you and no liability, in connection with, and is not responsible for any liabilities, claims, damages, costs and expenses, including attorneys' fees, incurred in connection with you taking any action based upon any generic recommendation or information provided by the FSP.

15. No guarantees of profit

There are no guarantees of profit or of avoiding losses when trading in CFDs and Forex. You have received no such guarantees from the FSP or from any of its representatives.

16. Internet Trading

Trading in CFDs and other derivative products through the product supplier's trading platform may differ from trading on other electronic trading systems as well as from trading in a conventional or open market. You acknowledge that trades on an electronic trading system are exposed to risks associated with the system including the failure of hardware and software and system down time, with respect to the product supplier's trading platform, your own systems, and the communications infrastructure (for example the internet) connecting the platform with you.

When you trade online (via the internet), the FSP and the product supplier shall not be liable for any claims, losses, damages, costs or expenses, caused, directly or indirectly, by any malfunction, disruption or failure of any transmission, communication system, computer facility or trading software, whether belonging to the FSP, product supplier, you, any exchange or any settlement or clearing system.

17. Acknowledgements

You hereby acknowledge and declare that you have read, understood and thus accept without any reservation all the information included herein including the following:

- The value of the financial instrument (CFD or any other derivative product) may decrease and you may receive less money than originally invested or the value of the financial instrument may present high fluctuations. It is possible that the invested capital may become of no value;

- Information on past performance of a financial instrument does not guarantee the present and/or future performance. The use of historic data does not constitute a binding or safe forecast as to the corresponding future return of the financial instruments to which such data refers;

- Some financial instruments may not become immediately liquid due to various reasons such as reduced demand and the product supplier may not be in a position to sell them or easily obtain information on the value of such financial instruments or the extent of any related or inherent risk concerning such financial instruments;

- When a financial instrument is negotiated in a currency other than the currency of your country of residence, any changes in an exchange rate may have a negative effect on the financial instrument's value, price and performance;

- A financial instrument in foreign markets may entail risks different than the usual risks in the markets in your country of residence. The prospect of profit or loss from transactions in foreign markets is also influenced by the exchange rate fluctuations;

- Various situations, developments or events may arise over a weekend when the currency markets generally close for trading, that may cause the currency markets to open at a significantly different price from where they closed on Friday afternoon. You will not be able to use the product supplier's trading platform to place or change orders over the weekend and at other times when the markets are generally closed. There is a substantial risk that stop-loss orders left to protect open positions held over the weekend will be executed at levels significantly worse than their specified price.