



PRIOR CAPITAL

RISK DISCLOSURE

This is not a marketing material, but an informative policy about the risks associated when Clients are dealing with financial products in compliance with Markets in Financial Instruments Directive II (MiFID II) and the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017)

Following the implementation of the Markets in Financial Instruments Directive II (MiFID II) 2014/65/EU as well as the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017), the Company provides this Disclosure with information about the risks associated when Clients are dealing with financial products. This Disclosure cannot and does not disclose or explain all the risks and other significant aspects involved in trading CFDs or other financial derivative products.

Updated on

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Risk Warning: CFDs are complex instruments and come with a high-risk of losing money rapidly due to leverage. 79.81 % of retail investor accounts lose money when trading CFDs with this provider. You should consider whether you understand how CFDs work and whether you can afford to take the high-risk of losing your money.

RISK DISCLOSURE

PriorCapital CY Ltd (former PriorFX Ltd) (hereafter the “Company”) is an Investment Firm authorised and regulated by the Cyprus Securities and Exchange Commission (hereafter the “CySEC”) under the License No. CIF221/13.

The business name PriorCapital, and the domain names www.priorcapital.eu, www.priorfx.com are owned by the Company incorporated and registered under the laws of the Republic of Cyprus under the certificate registration number HE321360.

The head office of the Company is located at 196 Arch. Makarios III Ave., Ariel Corner, 3030 Limassol, Cyprus.

The Company is authorised to provide the following Investment and Ancillary Services:

a) Investment Services:

- Execution of orders on behalf of clients;
- Portfolio Management.

b) Ancillary Services:

- Safekeeping and administration of financial instruments, including custodianship and related services;
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
- Foreign exchange services where these are connected to the provision of the investment services;
- Investment research and financial analysis or other forms.

The Company is authorised to provide services on CFDs on Cryptocurrencies and has been given permission to provide services on Cryptocurrencies as a form of any other business which are an extremely volatile high-risk, speculative investment and trading this instrument the Client may experience a significant loss over a short-period of time or lose all his/her invested capital. They are not appropriate for all investors. Before trading crypto related assets, the Client needs to ensure that he/she is fully understands the risks involved taking into consideration the level of experience and investment objectives. To seek independent advice and consultation from an independent financial advisor if he/she has any doubts.

The Client knows that transactions in the Financial Instruments as are described in the “Terms and Conditions” involve a high degree of risk and are not suitable for many members of the public. Such transactions should be entered into only by persons who have read, understood and familiarized themselves with the style of exercise, the nature and extent of rights and obligations and the associated risks.

This Disclosure does not purport to disclose or discuss all the risks and other significant aspects

of any transaction, so the Client undertakes and warrants to consult with his/her own legal, tax and financial advisers prior to entering into any particular transaction.

The Company does not and cannot guarantee the initial capital of the Client's portfolio or its value at any time or any money invested in any financial instrument.

The Client unreservedly acknowledges and accepts 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.

The Client unreservedly acknowledges and accepts that he/she runs a significant risk of incurring losses and damages as a result of the purchase and/or sale of any Financial Instrument and accepts and declares that he/she is willing to undertake this risk.

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

The Client acknowledges and warrants that he/she is aware of the risks, which may be involved in any investment directly or indirectly in Financial Instruments. He/she fully understands:

The extent of the economic risk to which he/she is exposed as a result of such transactions (and have determined that such risk is suitable for him/her in light of his/her specific experience in relation to the transaction and his/her financial objectives, circumstances and (resources); the nature and fundamentals of the transaction and the market underlying such transactions; the legal terms and conditions for such transactions.

The Client also acknowledges and warrants that he/she fully understands the terms and conditions of the transactions to be undertaken, including, without limitation:

The terms as to price, term, expiration date, restrictions and of the terms material to the transaction; any terms describing risk factors, such as volatility, liquidity, and so on; and the circumstances under which he/she may become obliged to make or take delivery of a leveraged transaction.

The Client acknowledges that the high degree of leverage can work against him/her as well as for him/her due to fluctuating market conditions. Trading in such financial instruments can lead to large losses as well as gains in response to a small market movement.

The Client acknowledges that he/she can only lose up to the total capital deposited and that he/she cannot incur any further liability to the Company.

The Client acknowledges and accepts that he/she may sustain substantial losses on a contract or trade if the market conditions move against his/her position. He/she also acknowledges that it is in his/her interest to fully understand the impact of market movements, in particular the extent of profit/loss he/she would be exposed to when there is an upward or downward movement in the relevant rates and the extent of loss if he/she has to liquidate a position if market conditions move

against him/her.

The Client also understands that under certain market conditions he/she may find it difficult or impossible to liquidate a position, to assess a fair price or assess risk exposure. This can happen, for example, where the market for a transaction is illiquid or where there is a failure in electronic or telecommunications systems, or where there is the occurrence of an event commonly known as “force majeure”.

The Client knows that placing contingent orders, such as “stop-loss” orders, will not necessarily limit his/her losses to the intended amounts, as it may be impossible to execute such orders under certain market conditions.

The Client also acknowledges that because the prices and characteristics of over-the-counter transactions are individually negotiated and there is no central source for obtaining prices, there may be inefficiencies in transaction pricing.

The Client consequently accepts that the Company cannot and does not warrant that the prices provided to him/her any time be the best prices available to him/her. The Company follows a Best Execution Policy.

The Client declares and warrants that he/she has read, comprehends and unreservedly accepts the following:

1. Information of the previous performance of a Financial Instruments 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.
2. Some Financial Instruments may not become immediately liquid as a result e.g. 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.
3. 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.
4. A Financial Instrument on foreign markets may entail risks different to the usual risks of the markets in the Client’s country of residence. In some cases, these risks may be greater. The prospect of profit or loss from transactions on foreign markets is also affected by exchange rate fluctuations.
5. 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 or indices.
6. The value of the derivative financial instrument may be directly affected by the price of the security or any other underlying asset which is the object of the acquisition.

7. The Client must not purchase a derivative financial instrument unless he/she is willing to undertake the risks of losing entirely all the money which he/she has invested.
8. The Client acknowledges and accepts that there may be other risks which are not contained above.

Clients who hold any positions overnight then a swap charge will apply. The swap values are provided on the Company's Trading Platform and/or website (as the case may be) and Clients acknowledge that are responsible to review the said contract specifications including for any updates on the swap rate levels prior to placing any order with the Company. The Company reserves the right to change the swap rate level on each CFD and other derivative Financial Instrument at any given time and without Clients' consent.

The Client should take the risk that his/her 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/her personal circumstances. The Company does not warrant that no tax and/or any other stamp duty will be payable. The Client is personally liable for any taxes and/or any other duty which may accrue in respect of his/her trades.

In order to comply with applicable law, the Company will classify the prospective client as Retail Client, Professional Client or Eligible Counterparty when considering the application for opening an account, based on the information provided to the Company.

Prior to applying for an account, the Client should consider carefully whether investing in a specific Financial Instrument is suitable for him/her in the light of his circumstances and financial resources. Investing in some Financial Instruments entails the use of "leverage". Leverage means the use of various Financial Instruments or borrowed capital, such as margin, to increase the potential return of an investment. In considering whether to engage in this form of investment, the Client should be aware of the following:

1. The Client may be called upon to deposit substantial additional margin, at short notice, to maintain his/her investment. If the Client does not provide such additional funds within the time required, his/her investment position may be closed at a loss and he/she will be liable for any resulting deficit. With regards to transactions in derivative financial instruments, the Company shall provide through its Trading Platform(s) a Margin Call when the margin is less than 200% and is entitled, upon its discretion, to start closing positions when margin is less than 50% (Stop-out Level). The sole responsibility for observance of both the Margin Call and the Stop-out Call lies upon the Client and can be utilized through the Market Watch section of the Trading Platform(s).
2. Such transactions may not be undertaken on a recognized or designated investment exchange and, accordingly, they may expose the Client to greater risks than exchange transactions. The terms and conditions and trading rules may be established solely by the counterparty. The Client may only be able to close an open position of any given contract

during the opening hours of the exchange. The Client may also have to close any position with the counterparty with whom it was originally entered into. In regard to transactions in Financial Instruments with the Company, the Company is using an Electronic Trading Platform(s) for transactions in Financial Instruments which does not fall into the definition of a recognized exchange as this is not a multilateral trading facility and the Company is always the counterparty in every Client transaction.

3. The Company may not provide the Client with investment advice relating to investments or possible transactions in investments or make investment recommendations of any kind. This prohibition is subject to an exception where advice given amounts to the giving of factual market information or information, in relation to a transaction about which the Client has enquired, as to transaction procedures, potential risks involved and how those risks may be minimized.

RISKS OF ONLINE TRADING

The Client's access to the Company's Electronic Trading Platform(s), or any portion thereof, may be restricted, intermittent or unavailable during periods of peak demands, extreme market volatility, systems upgrades or other reasons. The Company makes no express or implied representations or warranties to the Client regarding the availability, usability, condition or operation thereof. The Company does not warrant that access to or use of any of the Electronic Trading Platform(s) will be uninterrupted or error free or that the Electronic Trading Platform(s) will meet any particular requirements or criteria of processing, performance or quality.

Under no circumstances, including negligence, shall the Company or anyone else involved in creating, producing, delivering or managing any part of the Electronic Trading Platform(s) be liable for any direct, indirect, incidental, special or consequential damages that result from the use of or inability to use any part of the Electronic Trading Platform(s), or out of any breach of any warranty, including, without limitation, those for business interruption or loss of profits.

The Client expressly agrees that the Client's use of the Electronic Trading Platform(s) is of the Client's sole risk. The Client assumes full responsibility and risk of loss resulting from use of, or materials or data obtained through the Electronic Trading Platform(s). Neither the Company, nor any of the Company's directors, officers, employees, agents, contractors, affiliates, third party vendors, facilities, information providers, licensors, exchanges, clearing organizations or other suppliers providing data, information, or services, warrant:

- a. that the Electronic Trading Platform(s) will be uninterrupted or error free at most of the times; nor does the Company make any warranty as to the results that may be obtained from the use of the Electronic Trading Platform(s) or as to the timeliness, sequence, accuracy, completeness, reliability or content of any information, service, or transaction provided through the Electronic Trading Platform(s); or

- b. that the Client's systems will be unaffected or undamaged by any malicious software; or
- c. that any data will not be intercepted by any third party.

In the event that Client's access to the Electronic Trading Platform(s) or any portion thereof is restricted or unavailable, the Client agrees to use other means to place the orders or access information, such as calling the Company and/or the Company representative. By placing an order through the Electronic Trading Platform(s), the Client acknowledges that orders may not be reviewed by a registered representative prior to execution. The Client agrees that the Company is not liable to the Client for any losses, lost opportunities or increased commissions that may result from the Client's inability to use the Electronic Trading Platform(s) to place orders or access information. The Client will be informed in more detail of the risks involved based on the categorisation assigned to him/her by the Company and the investment services and Financial Instruments selected.

ADDITIONAL INFORMATION

For further information, please refer to the 'Guide to Investing' issued by the European Securities and Markets Authority ('ESMA') and the 'Investor Warning on Contracts for difference (CFDs)' issued jointly by ESMA and the European Banking Authority ('EBA').

INSOLVENCY

In the event of the Company's insolvency or default, positions may be liquidated or closed without clients' consent and against clients' wishes. In certain circumstances, clients may not get back the actual assets, which have been lodged as collateral and may have to accept any available payments in cash.

Segregated Funds will be subject to the protections conferred by Applicable Regulations.

MONITOR AND REVIEW

The Company will, on a regular basis, monitor and assess the effectiveness of this Risk Disclosure in order to deliver the best possible service for the Client, and, where appropriate, the Company reserves the right to correct any deficiencies in this Disclosure and make improvements to it.

The Company will review the Risk Disclosure at least annually.

You hereby acknowledge and accept that you have been informed by the Company and understand the associated risks when taking investment decisions in respect of trading in CFDs on Cryptocurrencies.

APPENDIX 1

TYPES OF RISKS RELATED TO FINANCIAL INSTRUMENTS

- 1. Price risk:** The risk of losses in positions arising from movements in the prices of the traded Financial Instruments. The value of any investment in Financial Instruments may fluctuate downwards or upwards for a variety of reasons over the investment horizon and there is a great risk of incurring losses and damages as a result of the purchase and/or sale of any Financial Instrument; it is even probable that the investment may become of no value. Price risk is determined by the interaction of two sources of risk, systematic and non-systematic risk.
- 2. Systematic risk** (also called aggregate or market risk): The risk that arises from the market structure or dynamics which produce shocks or uncertainty faced by all agents in the market; such shocks could arise from government policy, economic forces, or even acts of God and have a great influence on general market psychology and associated investment decisions and actions (therefore non-identical Financial Instruments carry non-identical levels of exposure to systematic risk). To the extent that CFDs are financial derivatives, meaning that their performance is dependent on the price movement of the underlying Financial Instrument or asset, positions in CFDs are definitely exposed to practically the same level of exposure to systematic risk carried by the underlying Financial Instrument or asset.
- 3. Non-systematic risk** (also called specific or unique risk): The risk to which only specific agents or industries (and therefore specific Financial Instruments or assets) are vulnerable. In the equity market such risk could arise, for example, from a specific (i.e. unique) corporate event affecting the psychology and associate investment decisions and actions of specific market participants that trade specific Financial Instruments. Such risk is generally uncorrelated with broad market movements. Again, to the extent that the prices of CFDs are derived from the prices of the underlying Financial Instruments or assets, positions in CFDs are definitely exposed to practically the same level of exposure to non-systematic risk carried by the underlying Financial Instrument or asset. Due to the idiosyncratic nature of unsystematic risk, it can be reduced or even essentially eliminated through portfolio diversification; in contrast to systematic risk, which, in general, cannot be diversified away. For this reason, this risk is sometimes called diversifiable or residual risk, meaning that it can be diversified away in the context of a diversified portfolio of Financial Instruments (i.e. it is diversifiable) and that it represents the price risk that remains once systematic risk has been quantified and isolated (i.e. it is residual).
- 4. Forecasting risk** (also called model risk): The uncertainty and/or inaccuracy and/or bias

involved in using plain historical returns and/or analysing such returns using financial and/or other modelling for the purpose of forming expectations and/or making forecasts in regard to the future performance of Financial Instruments or assets. It is expressly stated that information related to the previous performance of a Financial Instrument or asset does not guarantee its current and/or future performance. The use of historical data in any context does not constitute a reliable forecast of the future performance of the Financial Instrument in question.

- 5. Counterparty-credit risk:** The risk of loss due to the failure of counterparty to fulfil its obligation. Holding other things constant, credit risk is directly related to time (i.e. the longer the duration of a deal the greater the risk). As aforementioned, when trading CFDs with the Company, the client is entering into a bilateral (i.e. OTC) transaction; in effect, any position opened cannot be closed through any other entity. Such OTC transactions generally expose the parties involved in greater counterparty-credit risk compared to transactions made on regulated markets where a central counterparty (i.e. a clearing entity) ultimately stands between the two parties and legally assumes the counterparty-credit risk. It is highlighted that a CFD may have little or no value regardless of the performance of the underlying instrument if one of the counterparties to a CFD trade defaults, either partially or fully, in meeting its obligations.
- 6. Leverage risk:** The risk pertaining to the fact that CFDs, as financial derivatives, are traded on margin meaning that the Client can devote only a fraction of the account's value to be used as collateral in order to open leveraged positions (i.e. positions whose size implies the possibility of losing a larger amount of money compared to the initial deposit). Due to the highly leveraged nature of CFD trading which interrelates with the level of margin requirements, Clients enjoy greater benefits compared to traditional cash trading as a relatively small price movement may lead to a proportionately larger movement in the value of the CFD position; unfortunately, such leveraged nature exposes the Client to a significantly greater risk of loss. Special attention should be given to the fact that the Client needs to ensure that he/ she has sufficient margin on his/ her trading account, at all times, in order to maintain an open position. In addition, the Client needs to monitor his/her open positions in order to avoid positions being closed due to the unavailability of sufficient funds; in effect, such unavailability increases **liquidation risk** which is the risk of a forced closure of a position which could eventually have been a profitable one if sufficient funds were made available in good time. The Company is not responsible for notifying the Client for any such instances. At Margin level equal or less than 100% the Company will automatically begin closing positions at market prices, starting from the most unprofitable one and the Client is liable for any resulting negative equity (the Client remains liable for any negative equity irrespective of the reason(s) for which such equity became negative). Further information on margin requirements per CFD is provided online under the *Trading*

Conditions section on the Company's website.

- 7. High volatility risk:** The risk of trading under market conditions, which are highly uncontrollable by market participants (including the Company and the Client). Under abnormally high volatility (i.e. under non-typical or unusual conditions; conditions that deviate from normal as a result of unexpected/unforeseen events, unexpected news announcements et cetera), prices of CFDs and other Financial Instruments may fluctuate rapidly. As a result, the Company might be unable to transmit for execution or execute the Client's order(s) at the declared price(s) and a stop loss order cannot guarantee to limit the Client's losses at the intended amount. This can also happen under normally high volatility (i.e. under typical or usual conditions; conditions that were expected as a result of expected events, expected news announcements et cetera); however, to the extent that such conditions can be fairly anticipated by market participants, high volatility risk is somehow reduced.
- 8. Taxation risk:** Although in general no capital gains taxes are involved in trading CFDs since such trading does not involve taking physical delivery of the underlying Financial Instrument or asset, independent tax advice should be sought, if necessary, to establish whether a client is subject to any tax. The liability for the payment of any taxes lies on the client.
- 9. Event risk** (related to the Company's trading system, the provision of electronic services, internet service, electricity and telecommunications): The risk of any technical failure, impediment, disruption or delay that relates to the Company's trading system, electronic services including the trading platform(s) and the Client terminal(s), electricity and/or telecommunication issues and Internet service issues/problems. Clients and potential clients must understand that the Company is not an internet service or electricity or telecommunications provider; consequently, the Company is not responsible for any failure, impediment, disruption or delay in providing investment and/or ancillary services under the Collective Agreement, if such failure, impediment, disruption or delay arises as a direct or an indirect result of an internet service or electricity or telecommunications failure. In addition, the Client understands and accepts that the only reliable source of Market (including price) related information is provided through the trading platform and, in particular, through the Client terminal that is connected with the Company's Real (i.e. Live) Server and with the Company's trading system; this Market (including price) related flow of information has the potential of being disrupted and/or cut, consequently, such information might not even reach the Client. Further, the Company bears no responsibility for any loss and/or damage that arises as a result, amongst others, of its trading system's and/or other system's failure, including but not limited to hardware or software failure, malfunction or misuse either on the Client's side or the Company's side or both, poor

internet connection either on the Client's side or the Company's side or both, incorrect settings in the Client terminal and delayed and/or disrupted updates of the Client terminal. Furthermore, the Client understands and accepts that at times of excessive (i.e. immoderate) transaction flow, including times of abnormally or even normally high volatility, some delays may be incurred in contacting the Company; in such cases, the Company bears no responsibility for any loss and/or damage that may arise as a result of such delays.

- 10. Liquidity risk:** The risk stemming from the general lack of marketability and/or from the lack of marketability during market conditions of abnormally and/or normally high volatility, as defined and explained above, of a Financial Instrument or asset that cannot be bought or sold quickly enough to prevent or minimize a loss. Liquidity risk becomes particularly important to Clients who are about to hold or currently hold an asset, since it affects their ability to trade. Clients or potential clients should be aware that the placement and/or execution of contingent orders, such as stop-loss orders, would not necessarily limit losses to the intended amounts, as it may be impossible to execute the orders under such market conditions.
- 11. Foreign exchange risk:** The risk related to adverse movements in exchange rates. Changes in the exchange rates may negatively affect the value, price and/or performance of the Financial Instruments traded in a currency other than the Client's balance currency.
- 12. Regulatory Risk:** The risk that a transaction could conflict with current legislation or an adverse change in legislation during the life of a transaction (i.e. during the life of a position in a financial instrument). The Client must be warned that CFDs (amongst other Financial Instruments) are not eligible for trading in certain jurisdictions; therefore, any offer and/or invitation and/or solicitation to trade CFDs and/or any disclosure and/or any notice and/or any warning related to CFDs, including this one, on the part of the Company is not directed to any jurisdiction where its acceptance, distribution, publication or availability would be contrary to local laws or regulations.

APPENDIX 2

TYPES OF RISKS RELATED TO CRYPTOCURRENCIES

1. Market Risk of trading in crypto related CFDs

CFDs on Bitcoins and/or other Cryptocurrencies shall be traded like any other Financial Instrument currently available on the Company's trading platform(s). Having said that, market risk warnings in relation to such CFDs are presented under full transparency in the Company's legal documentation titled "Risk Disclosure", which is disseminated to clients during the account opening process and is always available to them through the Company's website.

2. Idiosyncratic Risks associated to Cryptocurrencies and abnormal price fluctuations of Cryptocurrencies

Adequate risk warnings shall be disseminated to the interested clients and/or potential clients regarding the lack of regulation over Bitcoin and/or other Cryptocurrencies, instability and volatility of the price of such assets as well as the factors that may determine sudden movements in the price fluctuations of the cryptocurrencies, in order to alert and protect investors, prior to entering into transactions related to the price value difference of the Bitcoin and/or other Cryptocurrencies, against other traditional/fiat currencies.

Stricter margin call levels shall be implemented when dealing with such transactions as well as limitation on the leverage allowed for opening such positions involving Bitcoins and/or other Cryptocurrencies.

Moreover, the Company has in place a negative protection policy as well as the necessary settings on the platform which will not allow Clients to lose more than their invested capital. Levels of protection can be elevated in the case of Bitcoin and/or other Cryptocurrencies related trading activities.

3. Risks associated to the potential high degree of anonymity of Bitcoin and/or other Cryptocurrencies (fully nullified)

The reasons behind the controversy created around the Bitcoin and/or other Cryptocurrencies, related to the risks for becoming a suitable monetary alternative for drug dealing and money laundering it's understandable. The Company wishes to clarify that actual payments in any cryptocurrencies will NOT be accepted by the Company. The Company will apply the same level of strictness in applying its due diligence procedures as applied to all other high-risk clients.

4. Other Risks

It goes without saying that trading in CFDs on Cryptocurrencies is subject to other risks which are common to CFD investing on an OTC basis. Such risks (systemic/non-systemic risk, taxation risk, counterparty-credit risk, forecasting risk, leverage risk etc.) are fully explained in the Company's Risk Disclosure.