



HERZEN INTERNATIONAL CORPORATION (IO3468)

RISK DISCLOSURES FOR FINANCIAL INSTRUMENTS

1. INTRODUCTION

- 1.1. This notice provides you with information about the risks associated with the investment products, which you may invest through the services provided to you by the Company (hereinafter called “**Products**”).
- 1.2. Prior to applying for an account and/or prior to trading, you should consider carefully whether trading the Products is suitable for you. The Products may carry a high degree of risk and are not suitable for all investors.
- 1.3. This notice provides you with information about the risks associated with these products, but it cannot explain all of the risks nor how such risks relate to your personal circumstances. If you are in doubt you should seek professional advice.
- 1.4. It is important that you fully understand the risk involved before making a decision to enter into a trade of the Products with us or to buy or sell an instrument available through the account you may hold with the Company and that you have adequate financial resources to bear such risks and that you monitor your positions carefully. You should not invest money that you cannot afford to lose.
- 1.5. In considering whether to engage in this form of trading, you should be aware of the following:

2. RISK WARNINGS

- 2.1. The Company offers its services on an “**execution-only basis**”. It does not provide you with investment advice relating to its services, Products or possible transaction in Products and does not make investment recommendations of any kind. The Company sometimes provide factual information or research recommendations about a market, information about transaction procedures and information about the potential risks involved and how those risks may be minimised. However, any decision to use our investment products or services is solely made by you.
- 2.2. The Company does not and cannot guarantee the initial capital of your portfolio or its value at any time or any money invested in any Product. You hereby unreservedly acknowledge and accept that, regardless of any information which may be offered by the Company, the value of the Products provided by the Company may fluctuate downwards or upwards and it is even probable that the investment may become of no value.
- 2.3. You acknowledge that there is a risk of incurring losses and damages as a result of the purchase and/or sale of any Product, as such transactions undertaken through the dealing services of the Company may be of a speculative nature. Large losses may occur in a short period of time, equalling the total of your funds deposited with the Company. You should not enter into a transaction/contract with the Company unless you are willing to undertake the risk of losing entirely all the funds which you have invested.
- 2.4. A Derivative Product is a “non-deliverable” transaction giving an opportunity to make profit on changes in currency rates, changes in prices of commodity, equity indices or cryptocurrency (called the “underlying instrument”).
- 2.5. You are solely responsible to monitor all of your open position closely. Particularly, it is your sole responsibility to monitor your positions at all times and during the period that you have open positions on Contract for Difference (“**CFD**”) or hold any Products in a share trading account, you should ensure that you have the ability to access your trading account (s) at all times.
- 2.6. Some Products may not become immediately liquid as a result, for example, of reduced demand and you may not be in a position to sell them or easily obtain information on the value of these Products or the extent of the associated risks.
- 2.7. If you trade in a market other than the base currency of your country of residence, any currency exchange fluctuations will impact the value, price and performance of the Product you traded in (therefore, it will impact your profits and losses).



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- 2.8. Information on past performance of a Product does not guarantee, or is not an indication of its future performance. The use of historical data does not constitute a binding on safe forecast as to the corresponding future performance of the Products to which the said information refers. Contracts you enter into with us are legally enforceable by both parties.

3. VOLATILITY OF PRICE AND LIMITATION ON THE AVAILABLE MARKET

- 3.1. Some of the Products provided by the Company are derivative Products, where their price is derived from the price of the underlying reference Products in which the Products refer to. Placing '**Stop Loss**' Orders serves to limit your losses. However, derivative markets can be highly volatile and the value of derivative Products and their underlying instrument may fluctuate rapidly under certain market conditions. Under such conditions the execution of a 'Stop Loss' Order may be worse than its stipulated (i.e. Client's preset) price and the realized losses may be larger than expected. It may also be difficult or impossible to execute any type of order; therefore, 'Stop Loss' order cannot guarantee the limit of loss.
- 3.2. Movements in the price of underlying markets can be volatile and unpredictable. This will have a direct impact on your profits and losses; thus, knowing the volatility of an underlying market will assist you in evaluating whether any 'Stop orders should be placed.
- 3.3. Your attention is expressly drawn, among others, to currencies traded 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 counterparty.
- 3.4. The prices of Products will be influenced by, amongst other factors/events, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and the market sentiment.
- 3.5. 'Gapping' is a sudden shift in the price of an underlying market from one level to another and can occur when the underlying market is either open or even closed due to various factors/events (e.g., release of important news announcements, economic events, etc.). When such factors/events occur and the underlying market is closed, the price of the underlying market when it re-opens (and consequently our derived price) may be different from the closing price with no opportunity to sell the instrument(s) before the market opens.
- 3.6. Market conditions can change significantly in a very short period of time. As such, in case the Client wishes to sell an instrument or close a Contract, he may not be able to do so under the same terms as when he purchased or opened it. Under certain trading conditions, it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted.
- 3.7. Transactions in derivative Products are not undertaken on a recognized and regulated exchange (i.e., undertaken through the Company's Trading Platform) and, as such, they may expose the Client to greater risks than regulated exchange transactions. The terms and conditions and trading rules may be established solely by the counterparty, which in this case is the **Company**. You may only be able to close an open position of any given Product during the operating hours of the Company's Trading Platform. You will also have to close any position with the same counterparty with whom it was originally entered into.
- 3.8. The Company offers a feature known as copy trading. In making a decision to copy a specific trader or traders and/or follow a particular strategy, you must consider your entire financial situation including financial commitments and you understand that using Social Trading Features is highly speculative and that you could sustain significant losses exceeding the amount used to copy a trader or traders. The risks associated with copy trading, include but are not limited to, automated trading execution whereby the opening and closing of trades will happen in your account without your manual intervention.

4. MARGIN REQUIREMENTS

- 4.1. Clients are required to deposit a Margin with the Company in order to open a position on a CFD. The Margin requirement will depend on the underlying instrument of the derivative Products, level of leverage chosen and the value of position to be established. The Company will not notify the Client for any **Margin Call** to sustain a loss-



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making position. The Company has the discretionary right to start closing positions when **Margin Level** decreases to around 50%, and automatically close all positions at market prices if Margin Level drops reaches or falls below 20%. The Company guarantees that there will be no negative balance in a client's account when trading in Products provided by the Company.

- 4.2. Investing in derivative Products entails the use of "gearing" or "leverage". In considering whether to engage in this form of investment, you should be aware that the high degree of "gearing" or "leverage" is a particular feature of derivative Products. This stems from the margining system applicable to such trades, which generally involves a comparatively modest deposit or margin in terms of the overall contract value, so that a relatively small movement in the underlying market can have a disproportionately dramatic effect on the Client's trade. If the underlying market movement is in your favor, you may achieve a good profit, but an equally small adverse market movement may quickly result in the loss of your entire deposit. You must not purchase derivative Products unless you are willing to undertake the risks of losing all the money which you have invested.
- 4.3. Should the Equity in your trading account be insufficient to hold current positions open, you will be required to deposit additional funds at short notice or reduce exposure (i.e., **Margin Call**). Failure to do so within the time required may result in the liquidation of positions at a loss (i.e., **Stop-Out**). The Client is always responsible for any losses incurred as a result.

5. SPECIFIC RISK WARNINGS – SHARES

- 5.1. Physical Shares admitted to trading on a regulated market are not considered high-risk financial instruments.
- 5.2. Shares, known as 'equities', represent a portion of a company's share capital. The extent of Client's ownership in a company depends on the number of Shares he owns in relation to the total number of Shares in issue.
- 5.3. All Shares offered are listed on exchanges which means that the prices are not set by our Company. We will only act on any instructions received from you to buy or sell on your behalf with our obligation being to take sufficient steps to ensure best execution results, as set out in our **Order Execution Policy**.
- 5.4. The Company may execute Client's order outside of a regulated market (i.e., exchange) as long as this is deemed to be in line with our Order Execution Policy. As part of our service, we will arrange for the custody of the instruments. All investments purchased for the Client or transferred to us by the Client into his Share trading account will be purchased in the name of and/or held by a nominee company selected by us, for the benefit of the Client. As investments will be held in the name of a nominee company, the Client may not have voting rights which he would have had if he held the investment in his own name.
- 5.5. The value of investments purchased through Client's Share trading account may go down as well as up, in line with market conditions, and the Client may end up with less than he/she originally invested. Some shares, such as unlisted shares, shares in smaller companies and penny shares may present a higher risk than others and may prove difficult to liquidate at short notice. If the Client is in a position where he wishes to sell these types of shares at short notice after buying them, he may find that the sell price is far lower than the price at which he bought them. Also, Shares in companies incorporated in emerging markets may be harder to buy and sell than Shares in companies in more developed markets and former
- 5.6. Instructions to deal from the Client to us form a commitment which may only be subsequently revoked by the Client with our prior consent (such consent will not be unreasonably withheld) at any time before the instruction to deal is executed. All instruments offered through our Share trading account are listed on an exchange, which means that the prices are not set by us. We will act on any instruction that the Client provide us to buy or sell an instrument on his behalf in accordance with our obligation to provide best execution results as set out in our Order Execution Policy, to act reasonably and in accordance with the Terms and Conditions of Business/Client Agreement which governs our business relationship.
- 5.7. On many exchanges, the performance of a transaction by us (or third-party with whom we are dealing on your behalf) is 'guaranteed' by the exchange or clearing house and we may have the benefit of certain legal protections from our clearing member. However, it is unlikely that in most circumstances this guarantee or legal protections will cover you (i.e., the Client) and may not protect you if we or, another party were to default on obligations owed to **you**.



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6. OTHER ADDITIONAL OBLIGATIONS

- 6.1. Before you begin to trade, you should obtain details of all commissions and other charges and/or profit sharing for which you will be liable and which may be found on the Company's website. Please be aware of all costs and charges that apply to you, because such costs and charges will affect your profitability.
- 6.2. You are responsible for any taxes and/or any other duty or legal affairs (i.e., regulatory filings and payments) in order to ensure that you comply with applicable laws and regulations. The Company does not warrant that no tax and/or any other stamp duty will be payable. The Company does not provide any regulatory, tax or legal advice and as such, you may wish to seek independent advice.
- 6.3. Although electronic communication is often a reliable way to communicate with Clients, no electronic communication is entirely reliable or always available. The Client should be aware that electronic communications may fail, may be delayed, may not be secure and/or may not reach the intended destination.
- 6.4. A Bank or Broker through whom the Company deals or the Company itself may act in the same market as the Client, as such its own account involvement may be contrary to Client's interests.
- 6.5. Trading online, no matter how convenient or efficient, does not necessarily reduce risks associated with the trading of the Products.
- 6.6. Your account with the Company will be held in USD, which may be different from the currency you used to deposit, accordingly you should be aware of currency fluctuations.
- 6.7. The Company has engaged European Credit Investment Bank as the custodian to hold Client Money in an account that is segregated from the Company's money to provide an additional safeguarding feature, but this may not afford a complete protection.
- 6.8. While trading on the Company's website and/or applications, system errors might occur. You should be aware of the risks that may result from any system failure which could mean that your order may be delayed or fail. You acknowledge that there are risks associated with utilizing an Internet-based trading system including, but not limited to, the failure of hardware, software, and Internet connections, the risk of malicious software introduction, the risk that third parties may obtain unauthorized access to information and/or assets (including your Cryptocurrencies) stored on your behalf, cyber-attack, the Cryptocurrency network failure (such as blockchain), computer viruses, communication failures, disruptions, errors, distortions or delays you may experience when trading via the platform / system of the Company, howsoever caused, spyware, scareware, Trojan horses, worms or other malware that may affect your computer or other equipment, or any phishing, spoofing or other attack. You should also be aware that SMS and email services are vulnerable to spoofing and phishing attacks and should use care in reviewing messages purporting to originate from the Company.
- 6.9. A change in laws or regulations made by the government or a regulatory body may increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape and as such alter the profit potential of an investment.
- 6.10. The insolvency or default of the Company, a Bank, Broker or any other relevant counterparty used by the Company to effect transactions may lead to your positions being closed out without your consent.
- 6.11. The Company reserves the right to review and/or amend its Risk Disclosure notices, at its sole discretion, whenever it deems fit or appropriate.
- 6.12. Our Risk Disclosure notices are not part of our Terms and Conditions of Business and are not intended to be contractually binding or impose or seek to impose any obligations on us which we would not otherwise have, but for the Act and Applicable Regulations.

CUSTOMER HEREBY CONFIRMS TO HAVE RECEIVED, READ AND UNDERSTOOD ALL THE ABOVE RISK DISCLOSURE AND AGREES TO BE BOUND BY THEM.