SEPTEMEBR 2019

RISK DISCLOSURE

VOLUME 2

COMPLIANCE DEPARTMENT -
BOGOFINANCE CAPITAL MARKETS LTD
UPDATED: 26/09/2019 – Volume 2

1. Introduction

FXJET, is registered and operates under the laws of the Republic of Cyprus as a trade name of Bogofinance Capital Markets Ltd an investment firm regulated by the Cyprus Securities and Exchange Commission (License No. 321/17), (hereinafter called the "**Company**"). This notice is provided to you in accordance with the provisions of the Investment Services and Activities and Regulated Markets Law of 2017 (Mo. L. 87(I)/2017) and Regulation (EU) No 600/2014 of The European Parliament and the Council and amending Regulation (EU) No 648/2012 on markets in financial instruments (MiFIR).

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 familiarize themselves with the style of exercise, the nature and extent of rights and obligations and the associated risks.

This notice does not purport to disclose or discuss all of the risks and other significant aspects of any transaction, so the Client undertakes and warrants to consult with his own legal, tax and financial advisers prior to entering into any particular transaction. Its purpose is to explain, in general terms, the nature of the risks particular to entering into transactions in the Financial instruments provided by the company and help you to take investment decisions on an informed basis. For a detailed explanation of how our services operate, you should read the following documents, which together with this Notice, form our agreement with you:

- Terms and Conditions/Client Agreement
- Order execution Policy
- Summary of conflicts of Interest Policy; and
- Privacy Policy

The Client or potential client needs to ensure that his/ her investment decision is made on an informed basis taking into consideration the interaction of several factors. Such factors include but are not limited to understanding the nature (i.e. characteristics and associated risks) of the financial instrument in question (i.e. CFD) and the Client's or potential client's desired exposure to the relevant risks; such exposure depends on the Client's or potential client's unique circumstances including but not limited to his/her experience in trading CFDs, his/her financial position and his/her investment objectives.

The Client or potential client should not trade CFDs unless he/she is fully aware of all the risks and/or other important aspects involved and the level of his/her personal exposure to such risks. In case of uncertainty as to the meaning of the guidance on and warnings of the risks included on the Notice, the Client must seek an independent legal and/or financial advice before taking any investment decision

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

- the extent of the economic risk to which he is exposed as a result of such transactions (and have determined that such risk is suitable for him in light of his specific experience in relation to the transaction and his 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 declares and warrants that he has read, comprehends and unreservedly accepts the following:

i. Information of the previous performance of a Financial Instrument 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.

ii. 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.

vii. The Client must not purchase a derivative financial instrument unless he is willing to undertake the risks of losing entirely all the money which he has invested and also any additional commissions and other expenses incurred.

viii. The Client acknowledges and accepts that there may be other risks which are not contained in the Risk Disclosure Statement.

2. General Characteristics of Company's Products

FXJET offers trading services in Contracts for differences (CFDs). CFDs fall under the asset class of derivative financial instruments (hereinafter 'derivatives'). A derivative is a financial instrument whose price is dependent upon or derived from the price fluctuations of another underlying instrument.

What is a CFD?

A CFD is an Over the Counter (OTC) derivative which enables investors to obtain exposure and participate in the returns (which could end up positive or negative) from price movements in an underlying financial instrument, without the need to physically acquire the underlying financial instrument.

Who is your counterparty?

Like all derivatives, a CFD is a contract under which two parties agree to exchange the difference in value between the opening value and the closing value of the contract. For the purpose of Client Orders in financial instruments provided by the company, the company is always the counterparty to all of your orders.

How is your Profit or Loss on a CFD calculated?

CFDs allow you to make a profit or loss from the price fluctuations in the underlying financial instrument and the amount of any profit or loss on a CFD trade will be the total of the difference between the opening value of the CFD and the closing value of the CFD less any commissions and/or any other fees you incur and are requires to pay to the company in respect of the CFD.

Our trading service carries a high level of risk and is Not suitable for everyone. You should **not** trade with us unless you understand the nature of the transaction you are entering into and the extent of your potential loss from a trade. **You Trade entirely at your own risk.**

Thus, you should **NOT** invest in CFDs unless you adequately understand the characteristics, and in particular the associated risks of these products and you are comfortable with these risks when trading on such products.

You should seek *independent professional advice*, if necessary, in order to ensure that investing in these products is suitable for your objectives, needs and financial circumstances and resources.

Our trading service is '**Execution Only'**. This means that we carry out your trading instructions. We do **NOT** provide you with any investment advice

3. Risks Associated with Trading in Company's products

3.1. General Risks associated with Financial Instruments of the company:

1. *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 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 he runs a great 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 is willing to undertake this risk.*
2. The Client acknowledges that the high degree of leverage can work against him as well as for him 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.
3. The Client acknowledges that if the market moves against him, he may not only sustain a loss of funds, but he may also incur further liability to the Company.
4. The Client acknowledges and accepts that he may sustain substantial losses on a contract or trade if the market conditions move against his position. He also acknowledges that it is in his interest to fully understand the impact of market movements, in particular the extent of profit/loss he would be exposed to when there is an upward or downward movement in the relevant rates and the extent of loss if he has to liquidate a position if market conditions move against him.
5. The Client also understands that under certain market conditions he 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".

6. The Client knows that placing contingent orders, such as “stop-loss” orders, will not necessarily limit his losses to the intended amounts, as it may be impossible to execute such orders under certain market conditions.
7. The Client also acknowledge that because the prices and characteristics of over-the-counter transactions are individually negotiated and there is no central source for obtaining prices, there are inefficiencies in transaction pricing.
8. The Client consequently accepts that the Company cannot and does not warrant that the Company’s prices or the prices the Company secures for him are or will at any time be the best prices available to him.
9. The Client may be called upon to deposit substantial additional margin, at short notice, to maintain his investment. If the Client does not provide such additional funds within the time required, his investment position may be closed at a loss and he will be liable for any resulting deficit.
10. 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 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.
11. In the event of insolvency of the company, your positions may be closed out against your wishes
12. By placing an order through the Electronic Trading Platform, 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 to place orders or access information.
13. The Client expressly agrees that the Client’s use of the Electronic Trading Platform 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.

3.2 Specific Risks associated with Financial Instruments of the company:

<u>Price risk:</u> 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.

<u>Systematic risk</u> (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.

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).

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.

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.

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

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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).

<u>High volatility risk:</u> 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.

<u>Taxation risk:</u> 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.

<u>Event risk</u> (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

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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.

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.

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.

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.

3.3. Additional Obligations

Before you commence trading with us, you should ensure that you are aware of our charging system.

The value of open positions in certain financial instrument provided by the company is subject to 'financing fees' (e.g. swap rates).

Details of our charging system (such as spreads, commissions and financing fees) may be found on the company's website https://www.fxjet.com

4. Risks Associated with CFDs on Cryptocurrencies

1. The trading of CFDs on Cryptocurrencies, are subject to substantial risks, additional to the general risks associates to transactions in CFDs. Cryptocurrencies are subject to a very high degree of uncertainty. Investors in CFDs on Cryptocurrencies are exposed to a number of additional risks that do not exist in more traditional investments. If the client is not prepared to accept these risks, the client should not trade CFDs.
2. There are no specific EU regulatory provisions that would protect clients that are trading CFDs on Cryptocurrencies. There is no specific EU regulatory framework governing the trading on virtual currencies and/or trading on CFDs relating to virtual currencies and there is no official position from European authorities to determine whether the trading on CFDs relating to virtual currencies falls under paragraph 9, Section C, Annex 1 of Directive 2004/39/EU on markets in financial instruments ('MiFID'). The markets for Cryptocurrencies are still largely unregulated, making them more prone to possible market manipulation, and/or unauthorized access to digital wallets and cryptocurrency exchanges which could lead to a market crash.
3. The trading of CFDs on Cryptocurrencies is not considered to be a covered service under the Investor Compensation Fund, therefore the Client will not be entitled to such protection for any services related to Cryptocurrency CFD trading that is being offered by FXJet, therefore the Company's Investor Compensation Fund Policy does not apply to clients trading CFDs on Cryptocurrencies.
4. Clients trading in such products have no rights to report to the Cyprus Financial Ombudsman in case of a dispute with the firm
5. The prices of Cryptocurrencies as well as CFDs based on such prices are highly volatile, may fluctuate rapidly, widely, irrespective of the overall market conditions and may result in loss of all the invested capital over a short period of time.
6. Particularly, you hereby further knowledge and accept prior to investing in CFDs on cryptocurrencies, that you are aware of the following:
    a. Such products are complex, extremely risky and usually highly speculative
    b. Such products entail high risk of losing of all your invested capital,
    c. The values of virtual currencies are subject to extreme price volatility and hence, may result in significant loss over a short period of time
    d. Cryptocurrency CFDs are not suitable and/or appropriate for all clients. Such products are very complex and as such clients must always make sure that they are fully aware and understand their specific characteristics and risks. Clients should not trade in such products if they don't have the necessary knowledge and expertise. All the clients should be aware of all the risks associated to trading on such products and seek advice and consultation from an independent financial advisor if questions arise, as FXJET does not provide such advice.
    e. You shall be fully aware of, and understand, the specific characteristics and risks in relation to these products
7. Since blockchain is an independent public peer-to- peer network and is not controlled in any way or manner by the company, the company shall not be responsible for any failure and/or

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mistake and/or error and /or breach which shall occur in blockchain or in other networks in which the cryptocurrencies are being issued and/or traded. We make no representation or warranty of any kind, express or implied, statutory or otherwise, regarding the blockchain functionality nor for any breach f security in the blockchain.

8. Given the unpredictability, complexity and volatility characterizing the Cryptocurrencies' trading environment, the company reserves the right to place restrictions on the trading of this class of instruments with the purpose to protect our clients best interests and mitigate the trading risk they bear.
9. You hereby acknowledge, represent and warrant to us that, when trading in CFDs on Cryptocurrencies, you fully understand the specific characteristics and risks related to these Cryptocurrencies and that trading in CFDs on cryptocurrencies is not appropriate for all investors.

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

5. Review and Amendment of Risk Disclosure

The Company will, on a regular basis, monitor and assess the effectiveness of this Policy and, where appropriate, the Company reserves the right to correct any deficiencies in this document and make the relevant improvements.

The Company will notify any Customers affected by material changes in its Risk Notice or order execution arrangements.

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