



# **RISK DISCLOSURE POLICY**



## Risk Disclosure Policy

### RISK DISCLOSURE POLICY

Charleston Investments Ltd (hereinafter the "Company") is authorized and regulated by the Financial Services Commission in Mauritius ("FSC") under the license number GB21100290.

This notice contains important information about the risks associated when dealing with Contracts for Difference ("CFDs"), Spread Bets or other financial derivative products. This notice cannot and does not disclose or explain all of the risks and other significant aspects involved in trading in CFDs, spread bets or any other financial derivative products.

***Clients can trade through the Company's CFDs on forex, spot metals, futures and shares as well as spread bets.***

#### Complex Instruments warning

Complex Instruments are derivative products for which special risks apply. This notice cannot disclose all the risks and other significant aspects of complex instruments. You should not deal with complex instruments unless you understand their nature and your exposure to risk. You should be satisfied that the product is suitable for you in the light of your circumstances and financial position.

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.

#### 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



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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 Company 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 Company 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.

'Spread betting' means a bet on the difference between the opening and closing price of a contract, the financial value of which is derived from the fluctuations in the price of the underlying asset (including but not limited to currency pairs, shares, metals etc.). Spread bets are a form of CFDs, which can be settled only in cash. Investing in CFDs or a spread bet carries similar risks, and you should be aware of them before investing in these products. Please seek independent advice if necessary.

Although CFDs, spread bets and derivative products in general can be utilized for the management of investment risk, they are unsuitable and not appropriate for many clients as they carry a high degree of risk.

CFDs, spread bets and other financial derivatives are leveraged products and involve a high level of risk. It is possible to lose all your capital.

CFDs, spread bets and derivative products in general may not be suitable for everyone. 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 it.

### **CFDs on Cryptocurrencies**

The values of cryptocurrencies can widely fluctuate and are extremely volatile and may result in significant losses over a short period of time. Cryptocurrencies are traded on non-regulated decentralized cryptocurrency exchanges whereas the respective prices of the cryptocurrencies depend solely on the internal rules of the specific exchange, which may be



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subject to change at any point in time and without notice. As a result, the trading environment and the respective prices are highly unpredictable compared to other financial instruments.

By trading CFDs on Cryptocurrencies the Client accepts a significantly higher risk of loss of his capital which may occur as a result of adverse price movements of the Cryptocurrencies at an unpredictable time. Trading in cryptocurrency CFDs is not appropriate for all investors and the Client should fully understand the risks related to Cryptocurrencies before deciding to trade on such products as well as the costs and charges applied in relation to these products which can be found at the Company's website at: [www.charlestonmarkets.com](http://www.charlestonmarkets.com).

### **Trading is considered to be risky and speculative**

The Client is responsible for all the losses suffered in his account (up to the available balance as a negative balance protection per account applies). Consequently, the Client should be prepared to lose all the invested capital. Do not invest money you cannot afford to lose.

### **Gearing and Leverage**

Before the Client opens a trade on CFD's or other financial derivative products, the Client is required to lodge money with the Company in order maintain a margin. This margin is usually a relatively modest proportion of the overall contract value. This means that the Client will be trading using "leverage" or "gearing". This means a relatively small market movement can lead to a proportionately much larger movement in the value of the Client's position and this can work either against the Client or for the Client.

At all times during which the Client has opens trades, he must maintain enough equity in the account, taking into consideration all accrued profits and losses, for meeting the margin requirements. If prices move against the Client, then the Client must deposit sufficient funds to avoid any margin calls otherwise the Company will be entitled to close one or more or all of the Client's trades (including any positions that are currently showing a profit) regardless of whether the Client agrees with the Company's decision to close his trade(s).

### **Off-Exchange Transactions**

When a Client trades Forex, CFDs, spread bets or any other derivative product with the Company, the Client enters into off-exchange ("OTC") derivative transaction, by placing his orders through the Company's trading platform. OTC transactions may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to closeout an open position. The Client needs to open and close a position with the Company that is not transferable to any other person. In this case, the Client is exposed to the risk of

the Company's default. Counterparty risk is the risk that the counterparty defaults and is unable to meet its financial obligations.

### **Underlying Market Volatility**

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

It is important for the Client to understand that the fluctuation of the underlying instrument may influence the value of the derivative product and affect the Client's profitability. The Client should also be aware of "gapping" where events occur that result in a sudden and significant profit or loss on the Client's 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, spread bets 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.

### **Stop loss' limits**

There are some circumstances in which a 'stop loss' limit is ineffective, for example, where there are rapid price movements or market closure. Stop limits cannot always protect you from losses.

**Liquidity risk** can affect your ability to trade. Some financial instruments may not become immediately liquid as a result, for example, of reduced demand and the Client may not be able to sell them or easily obtain information on the value of these financial instruments or the extent of the associated risks.

### **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 and the



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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.

### Client Money

When holding Client Money on behalf of a Retail Client, the Company makes adequate arrangements to safeguard the Clients' rights and prevent the use of Client Money for its own account. For this purpose, the Company ensures to promptly place any Client money into one or more accounts, denoted as 'clients' Segregated accounts which are segregated from the Company's own accounts and opened with any of the following: (a) a credit institution within Mauritius; (b) a bank authorized and/or licensed in a third country and (c) a payment provider that has been assessed based on specific criteria imposed by the Company and/or approved by the Company's management. The third party to whom the Company will pass money may hold it in an omnibus account and it may not be possible to separate it from the Client's money, or the third party's money in which case the Client will not have any claim against a specific sum in a specific account in the event of insolvency.

The Company does not accept any liability or responsibility for any resulting losses. In general, accounts held with institutions, including omnibus accounts face various risks including the potential risk of being treated as one (1) account in case the institution defaults. Another risk might be that the funds in the Omnibus Account may be exposed to obligations of the Company connected with the positions of other Clients in case The Company is unable to meet its obligations towards them.

Furthermore, the Client acknowledges that the Company, where applicable, may transfer/hold Client Money within or outside Mauritius in one or more segregated Clients' bank account. Client Money held outside Mauritius may be subject to the jurisdiction of that territory and Client rights may differ accordingly. The Company shall not be liable for the solvency, acts or omissions of any institution with which Client Money are held.

### Cost and Charges

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. Examples of costs include commissions charged by the Company. Costs related to derivative trading may also 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.



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### Tax

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

### Swap Values and Charges

If a Client holds any positions overnight, then an applicable swap charge will apply. The swap values are clearly stated on the Company's website and accepted by the Client during the account registration process as they are described in the Company's Terms and Conditions.

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

### Client's Acknowledgement

The Client hereby acknowledges and declares that he has read, understood, and thus accepts 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 the Client 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 Company may not be in a position to sell



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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 the Client's 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 the Client's country of residence. The prospect of profit or loss from transactions in foreign markets is also influenced by the exchange rate fluctuations.

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