



Risk Disclosure

Version: 3.1

Date: May 2016

STO Cyprus

RISK DISCLOSURE

AFX Capital Markets Ltd. (“AFX”, “we”, “us”, “our”) trading as STO is authorised and regulated by the Cyprus Securities and Exchange Commission (CySEC) under licence number 119/10 and registration number 253014. We are also regulated under the Market in Financial Instruments Directive (MiFID) in regards to other offices within the European Union under the MiFID Passporting Regime.

Our licence details can be found on the [CySEC](#) website. The address of AFX Capital Markets Ltd. is 116, Gladstonos Street, M. Kyprianou House, 1st Floor, CY-3032, Limassol, Cyprus.

The purpose of this document is to advise you of the possible associated risks with trading Contracts for Difference (CFDs), and Foreign Exchange (forex, FX) as required under the Market in Financial Instruments Directive (MiFID). By reviewing this Disclosure document, you are under no obligation to commit to an investment with us; however, the content is based on those proposing to trade with AFX Capital Markets Ltd. It is acknowledged and therefore should be noted, that this Risk Disclosure does not contain all the risks involved in trading CFDs and forex and is there as a guide to assist the Client in acknowledging the possible risks involved. Each Client should ensure that their decision is made on an informed basis and that they are happy with the information available to them.

PLEASE READ THE BELOW BEFORE UNDERTAKING ANY TRADES WITH US

Prior to trading CFDs, and forex you must be aware that they are aware of the risks involved. The high degree of leverage associated with these types of investments means that the degree of risk compared to other financial products is higher. Leverage (or margin trading) may work against you resulting in substantial loss as well as for you resulting in substantial gain.

Past performance[s] of these types of investments does not guarantee any future results. You must bear in mind any commission and tax liabilities you personally will have from investing with us. AFX Capital Markets Ltd. accepts no liability for any tax you may be required to pay on any profits made during the time you are an account holder with us.

Trading on Margin involves a high level of risk and is not suitable for all investors. The high degree of leverage can work against you as well as for you and the speeds which profits and losses can occur, means that clients should monitor positions closely – it is the clients’ sole responsibility to monitor open trades. Before trading, you should carefully consider your investment objectives, level of financial experience, and risk appetite. If you are at all unsure as to the suitability of the products offered by AFX Capital Markets Ltd., please seek independent financial advice. There is always a relationship between high reward and high risk. Any type of market or trade speculation that can yield unusually high returns is subjected to high risk. Only surplus funds should be placed at risk and anyone who does not have such funds should not participate in trading CFDs or forex.

TRADING IS NOT SUITABLE FOR EVERYONE.

TRADING CFD’S AND FOREX INVOLVES HIGH RISKS AND CAN CAUSE YOU A COMPLETE LOSS OF YOUR FUNDS

Under MiFID, AFX Capital Markets Ltd. is required to issue this risk disclosure document and disclose how we manage Conflicts of Interest, Best Execution, and issues regarding the procedure for submitting any complaints you may have against us as well as our regulatory status.

Our Conflicts Of Interest Policy and Best Execution Policy are available on our website www.stofs.com

Should you have a Complaint about the service you have received from us, please contact: compliance@stofs.com in the first instance. A detailed outline of our complaints process can be found at: www.stofs.com

Different instruments involve different levels of exposure to risk, and in deciding whether to trade in such instruments the Applicant should be aware of the following points:

1. CFDs in General

CFDs are complex financial products which generally only close when a client chooses to close an existing open position, and therefore generally have no set maturity date.

CFDs can be likened to futures which can be entered into in relation to certain indexes, precious metals, oil, commodities or financial instruments. However, unlike other futures, these contracts can only be settled in cash. Investing in a CFD carries risks similar to investing in a future and you should be aware of these. Transactions in CFDs may also have a contingent liability and you should be aware of the implications of this as set out in paragraphs 3, 5, 17 and 18 below. All CFD trades are contracts for difference which means that clients do not have any right to the underlying instrument or the rights which are attached unless specifically stated in the CFD. This includes no right to the reference shares or any voting rights.

2. Investing in Rolling Forex, Indexes, Precious Metals, Oil and Commodities

Investing in rolling forex, indexes, precious metals, oil and commodities carries similar risks as investing in a future and you should be aware of these. Margined transactions in rolling forex, indexes, precious metals, oil and commodities may also have a contingent liability and you should be aware of the implications of this as set out in paragraphs 3 and 4 below.

In addition to standard industry disclosures contained in this Risk Disclosure, you should be aware that margined rolling forex, indexes, precious metals, oil and commodities trading are some of the riskiest forms of investment available in the financial markets and are only suitable for sophisticated individuals and institutions. Given the possibility of losing an entire investment, speculation in the precious metals, indexes, oil, commodities or foreign exchange markets should only be conducted with risk capital funds that if lost, will not significantly affect your personal or institution's financial wellbeing.

3. Foreign Markets

Foreign markets involve different risks from the client's native markets. In some cases risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign currency will be affected by fluctuations in foreign exchange rates. Such enhanced risks include the risks of political or economic policy charges in a foreign media, which may substantially and permanently alter the conditions, terms, marketability or price of a foreign currency.

4. Risk Reducing Orders or Strategies

The placing of certain orders (e.g. "stop loss" or "stop limits" orders) that are intended to limit losses to certain amounts may not always work because market conditions or technological limitations may make it impossible to execute such orders. Should a client trade using such orders or strategy they do so accepting this risk.

5. Contingent Liability Transactions

CFDs and forex are margined transactions requiring you to make a series of payments against the contract value, instead of paying the entire contract value immediately. You may sustain a total loss of the margin you deposit with AFX Capital Markets Ltd. to establish or maintain a position. AFX Capital Markets Ltd. provides revaluations of your open positions continuously during each business day, and any profit or loss is immediately reflected in your account and a loss may result in you being called upon to pay substantial additional margin on short notice to maintain your open positions.

AFX Capital Markets Ltd. may also change its rates of initial margin and/or notional trading requirements at any time, which may also result in a change to the margin you are required to maintain. If you do not maintain sufficient margin on your account at all times and/or provide such additional funds within the time required, your open positions may be closed at a loss and you will be liable for any resulting deficit.

6. Leverage

Whilst derivatives instruments can be utilised for the management of the risk, some investments are unsuitable for many investors. CFDs and forex trading carry a high degree of risk. The gearing and leverage that is obtainable with CFDs and forex trading means that you only need to place a small deposit to commence trading with AFX Capital Markets Ltd. although this small deposit may result in large losses or large gains. Highly leveraged transactions are subject to significant changes in value as a result of relatively small changes in the value or level of an underlying or related market factor.

7. Over the Counter (OTC) Transactions

When trading CFDs you speculate on the anticipated price change for a particular underlying. This trading does not occur on a regulated market. You will enter directly into a contract with AFX Capital Markets Ltd. in respect of the financial instrument or other underlying you wish to trade under a CFD. All open positions with AFX Capital Markets Ltd. must be closed with AFX Capital Markets Ltd. and cannot be closed with any other party.

Trading in OTC financial transactions may expose you to greater risks than trading on a regulated market because there is no market on which to close out your open positions and prices and other conditions are set by us subject to any legal/regulatory requirements. OTC transactions may increase the liquidity risk and introduce other significant risk factors: it may be impossible, for example, to assess the value of a position resulting from an off-market transaction or to determine the risk exposure. Also, bid prices and offer prices need not be quoted by AFX Capital Markets Ltd. and, even where they are, AFX Capital Markets Ltd. may find it difficult to establish a fair price particularly when the relevant exchange or market for the underlying is closed or suspended. You are also exposed to the risk of AFX Capital Markets Ltd.'s default; however, in the unlikely event this occurs we are members of the Investor Compensation Fund [see Investor Compensation Fund document for further information].

8. Prices

The prices posted on the AFX Capital Markets Ltd. platform (the "**Platform**") may not necessarily reflect the broader market. AFX Capital Markets Ltd. will select closing prices to be used in determining margin requirements and in periodically marking to market the positions in your account and closing out such positions. Although AFX Capital Markets Ltd. expects that these prices will be reasonably related to those available on what is known as the interbank market or any appropriate exchange or other financial market (the "**Reference Market**"), prices AFX Capital Markets Ltd. uses may vary from those available to banks and other participants in the Reference Market. Consequently, AFX Capital Markets Ltd. may exercise considerable discretion in setting margin requirements and collecting margin funds. As the products are in part related to

the underlying you should ensure you are aware of the risks involved in the underlying including currency fluctuation, volatility and gapping [a sudden price shift which can be caused by many factors including but not exclusively, economic events, market announcements and periods where trading in the underlying does not take place].

A non-guaranteed stop will not protect you against this risk as it is not immediate and only triggers an order to close the position at the nearest available price.

9. Weekend Risk

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

10. Electronic Trading

Trading in OTC contracts through the Platform may differ from trading on other electronic trading systems as well as from trading in a conventional or open market. You will be exposed to risks associated with the electronic trading system including the failure of hardware and software and system down time, with respect to the Platform, your systems and the communications infrastructure (for example the internet) connecting the Platform with you.

11. Intraday Trading

Online intraday trading can lead you to make numerous transactions.

12. Trading Suspensions

Under certain conditions it may be difficult or impossible to liquidate a position. This can occur, for example, at times of rapid price movement where the price for an underlying rises or falls during one trading session to such an extent that trading in the underlying is restricted or suspended. Where this occurs the client accepts any associated risk and that they will be liable for any resulting deficit. The client should also be aware that under certain circumstances AFX Capital Markets Ltd. may be required to close positions due to regulatory or exchange instructions and as such AFX Capital Markets Ltd. is not responsible for any losses that may result.

13. Commissions

Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable, as indicated in the Rates Schedule available on the website of AFX Capital Markets Ltd. Clients should make themselves aware of potential costs or liabilities that could ensue from that position including but not exclusively: Swaps, Corporate Actions such as Rights Issues, Dividends, Stock Splits etc.

14. Insolvency

Any client insolvency or default may lead to positions being liquidated or closed out without your consent. Additionally, you will transfer full ownership and title to a portion of all the money you will deposit with AFX Capital Markets Ltd. This will represent an amount necessary to secure your present or future, actual or contingent liabilities to AFX Capital Markets Ltd. including margin requirements. AFX Capital Markets Ltd. will determine the amount of money required to secure your obligations to AFX Capital Markets Ltd. in its sole discretion on a daily basis (based on your daily open positions and trading, taking account of market conditions), which amount may be greater than the margin requirements. You will have no proprietary claim over this amount of money which will not be subject to segregation or other duties pursuant to client money rules in force from time to time under applicable law and may be dealt with by AFX Capital Markets Ltd. on its own account. Such amount of money may therefore be irrecoverable in the event of an insolvency or default of AFX Capital Markets Ltd.

15. Communication

AFX Capital Markets Ltd. accepts no responsibility for any losses that arise as a result of delayed or unreceived communication sent to a client from us by any form. The client further accepts that any losses arising as a result of unauthorised access of a third party to the clients trading platform is not the responsible if AFX Capital Markets Ltd. except in the case of gross negligence on behalf of the company or its staff. The client is responsible for keeping all login details safe and AFX Capital Markets Ltd. strongly recommends that user details are not written down or saved.

16. Advice

AFX Capital Markets Ltd. does not provide investment advice and is an execution only venue. Whilst we may under our licence make general assessments of the markets, such assessments are not individual investment advice and do not take into consideration your individual circumstances. Any decision to trade is made by the Client alone.

Under MiFID we are required to assess the appropriateness of this type of product for a generic person who provides similar information as you. This does not mean by allowing you to open an account we are providing individual investment advice that this product is in fact suitable for you in your individual circumstances – rather we are indicating that it may be suitable for someone who falls into the same general category of wealth and experience. To do this we will ask you information regarding: your trading experience and your financial assets and earnings. We do not monitor on your behalf that the information you provided on application remains true or that your financial situation remains the same, Clients take sole responsibility to ensure we are updated with any relevant information that may affect the appropriateness of the product.

17. Corporate Actions: Share CFDs

Please note that the treatment you receive during a corporate action may be less favourable that if you owned the underlying instrument because changes we make may need to be made reactionary and in place prior to that required by the corporate action. Therefore the time you have to make decisions could be considerably less; the options available may be more restrictive/less advantageous and may be such that there is no option for you to close the position. Given that corporate events can often be announced at extremely short notice you may have no opportunity or choice to close positions out to avoid such consequences and such actions may require you to provide more funds to cover margin at very short notice.

18. Going Short on Individual Shares

Going short on individual shares has additional risks that do not apply to the long position. This includes, but not exclusively, you will be obliged to take the other side of a purchase opportunity e.g. a rights issue resulting in you going further short at what could be unfavourable prices or paying a sum to buy back the rights the choice of which may be decided by AFX Capital Markets Ltd. without your input, on terms decided by AFX Capital Markets Ltd. or input being required at shorter notice than would be on the underlying share; you may experience forced buy-back due to corporate actions, stock borrowing conditions or regulatory requirements/changes, and you may experience variable borrowing charges whilst the position is open.

19. Position Monitoring

It is the clients' responsibility to monitor at all times the positions they have opened and you should always be in a position to do so. Whilst we will attempt to close positions once your margin has been used up, we cannot guarantee this will be possible and therefore you will remain liable for any resulting shortfall.

This document should be read in conjunction with: The order execution policy, the terms & conditions, the conflicts of interest policy and any other document supplied or otherwise made available to the client.