SHORT-FORM RISK DISCLOSURE FACT SHEET

This short form risk fact sheet does not disclose all the risks of trading in OTC Derivatives. It is important to read the trading agreement and associated risk disclosures before deciding whether to trade in OTC Derivatives. You should also carefully consider whether trading in OTC Derivatives is appropriate for you in the light of your experience, objectives, financial resources, and other relevant circumstances. If you do not have a copy of the trading agreement and associated risk disclosures, please contact [the Firm] to request for a copy. You should not trade in OTC Derivatives if you do not understand the product or are not comfortable with the accompanying risks.

All trading involves risk and losses can exceed deposits. Trading CFDs may not be suitable for everyone so please ensure that you fully understand the risks involved.

Q.1: What is my potential loss when I trade on margin in OTC Derivatives?
Margin is a loan extended by a broker that permits the trader to leverage the capital in the trader's account to enter larger trading positions in the market.

A margin requirement is the leverage expressed as a percentage. It expresses how much margin (account equity) is used to open a specific trade. For example, if the margin requirement on a specific instrument is 2%, this means that you must have at least 2% of the total value of an intended trade available as cash in your account, before you can proceed with the trade. Expressed as a ratio, 2% margin is equivalent to a 50:1 leverage ratio (1 divided by 50 = 0.02 or 2 %).

Clients could lose more than the initial margin amount deposited.

Q.2: What will happen if I do not have enough margin to cover my losses?
A Margin Call is also referred to as an "MC3" or a "stop out". All accounts are Margin Leveraged accounts. Traders must maintain adequate account balances to sustain their open positions. If Equity level drops to 10% of your Margin, a Margin Call will automatically occur without notice. It is the trader's responsibility to maintain a sufficient level of margin in their account.

Q.3: How is the OTC Derivative quoted?
For any given OTC Derivative, AvaTrade will quote two prices: the higher price (ASK) at which the client can buy (go long) that financial instrument, and the lower price (BID) at which the client can sell (go short).

Our price for a given financial instrument is calculated by reference to the price of the relevant underlying asset, which we obtain from third party external reference sources.

The spread is the difference in price between the buy (Bid) and sell (Ask) prices quoted for an asset. For example, a trade of 1 apple share, with a spread of 12 pips (0.12), the calculation is 0.12 X 1 = $0.12*. The Ask price of an asset in a spread will always be higher than the bid price.

We are compensated through the Bid-Ask spread. We generally do not charge commissions on any trade.

Q.4: Can my order be executed at a price that is less favourable than the price quoted on the trading system, or the price that I have submitted?
A client's order may be executed at a price less favourable than the price quoted on the trading system or the price that the client submitted. Client acknowledges and agrees that due to market volatility,

AvaTrade cannot guarantee that a Close at Loss order will be executed at the level specified in the Customer’s order. In such an event, AvaTrade will close the transaction at the next best price.

If, before Customer's “Limit Order” offer to open or close a transaction is accepted by AvaTrade, AvaTrade's quote moves to Customer's advantage (for example, if the price goes down as Customer buys or the price goes up as Customer sells) Customer agrees that AvaTrade will execute the closing transaction at the Customer’s specified price and not better. Customer agrees that AvaTrade can retain such price movement for its own account.

Q.5: Will my order be manually executed? If so, under what circumstances does the Firm rely on manual execution?
Our platforms are fully automated for pricing and Order execution. When a client places an order to enter or close a trade, the client is giving the platform an instruction to place an order on your account on the basis of the prices generated by our platform.

In the event that we are unable to proceed with a new open order with regard to price or size or other reason, the order may not be executed or may be executed manually by AvaTrade.

Q.6: Where are my margins kept and maintained? Can the Firm use my margins for its own purposes?
All client assets and margins are held separately from the firm’s own assets. This includes accounting segregation and nominee arrangements.

Q.7: What will happen to my margins if [the Firm] becomes insolvent? Will I be able to get back my moneys or other assets?
In the unlikely event that AvaTrade are unable to pay you, for example due to insolvency, you may lose the value of your investment. However, we segregate all client funds from firm’s own assets in accordance with Client money Rules under the FSRA rulebook.

A counterparty risk, also known as a default risk, is a risk that a counterparty will not pay what it is obligated to on a transaction pending settlement. In addition, the value of an investment may be adversely affected if exposed to an institution which suffers insolvency or other financial difficulties (default).

Q.8: Under what circumstances can [the Firm] close my position or void my order?
In the event of

(a) the death or judicial declaration of incompetence of Customer;
(b) the filing of a petition in bankruptcy, or a petition for the appointment of a receiver, or the institution of any insolvency or similar proceeding by or against Customer;
(c) the filing of an attachment against any of Customer’s accounts carried by AvaTrade,
(d) insufficient margin, or AvaTrade’s determination that any collateral deposited to protect one or more accounts of Customer is inadequate, regardless of current market quotations, to secure the account;
(e) Customer’s failure to provide us with any information requested pursuant to this agreement or any applicable law; or
(f) any abuse of trading practices, manipulations and/or fraud by Customer or any other person authorized to use the account; or

(g) any other circumstances or developments that we deem appropriate for its protection, and in AvaTrade's sole discretion, it may take one or more, or any portion of, the following actions:

(i) Satisfy any obligation Customer may have to us, either directly or by way of guaranty of suretyship, out of any of Customer's funds or property in AvaTrade's custody or control;
(ii) Sell any or purchase any or all Currency contracts, securities held or carried for Customer; and
(iii) Cancel any or all outstanding orders or contracts, or any other commitments made on behalf of Customer.

Q.9: What are the commissions, fees, and other charges that I have or may have to pay?
We are compensated through the Bid-Ask spread. We generally do not charge commissions on any trade.

In certain circumstances additional fees may include such things as statement charges, order cancellation charges, account transfer charges, telephone order charges or fees imposed by any interbank agency, bank, contract, market or other regulatory or self-regulatory organisations arising out of AvaTrade's provision of services hereunder.

Customer may incur additional fees for the purchase of optional, value added services. A daily financing charge may apply to each derivative open position at the closing of AvaTrade's trading day as regards that derivative.

Q.10: What happens when trading in the underlying share or asset is suspended or halted? How can I exit my position and will I suffer losses?
In the event an underlying share or asset is suspended or halted, clients' positions will be closed automatically regardless if positions are making a loss or profit.

ACKNOWLEDGEMENT OF RECEIPT OF THIS RISK DISCLOSURE FACT SHEET:

This acknowledges that I have received a copy of the short-form risk disclosure fact sheet and understand its contents.