

## Risk Warnings

We, ADS Securities London Limited (“ADS”, “we”, “us”, “our”), are committed to treating our clients fairly and to creating a suitable trading environment for all of our clients. To that end, we have prepared this risk warning document to assist you in understanding the risks associated with specific products being offered by us and, consequently, to allow you to be in a position to make an investment decisions on an informed basis. This risk warning document cannot disclose all of the risks of the products in which you may choose to invest by trading with us. You should independently analyse all potential risks associated with our investment products prior to making any investment decision.

Our products are high risk and may not be suitable for all of our clients because they carry a high risk to capital as prices may move rapidly against our clients. You can lose more than any initial deposit and you may be required to make further payments on short notice. Investments or income from them can go down as well as up. You may not necessarily get back the amount that you invested. You should not deal in products unless you understand their nature and the extent of your exposure to risk and potential loss, which may exceed your initial investment unless we have agreed to offer you negative balance protection, which we only do in limited circumstances.

### 1. Trading in financial instruments may not be appropriate for you

When we process your application to open an account with us, we will assess whether we feel that you have sufficient knowledge and experience to understand the risks involved in trading in financial instruments in order to make a determination if a product is appropriate for you. Based on the information you have provided us, we may warn you, for instance, that ‘leveraged’ or ‘margin’ trading may not be appropriate for you on the basis of your knowledge and experience. We are in most cases entitled to rely on the information that you provide for this purpose. If you have not provided sufficient information to enable us to access the appropriateness of the product for you, we may inform you that this is the case. Where we have been unable to carry out an appropriateness assessment, we may refuse to open an account with you or carry out any orders that you place through an account you hold with us.

### 2. Execution only services

We offer an execution only service, and will not provide you with any investment advice or assess the suitability of any transaction. You should not enter into any transaction with us unless you fully understand the risks involved and unless you are capable of financially sustaining any losses that may be the result of an unsuccessful transaction. We recommend that you seek independent advice if you are in any doubt regarding any risks or financial consequences of any transactions.

All decisions to enter into transactions in financial instruments are based upon your own independent assessment of the risks associated with investing in such instruments, including, but not limited to, issuer risk, liquidity risk, country risk, currency fluctuation risks, investment timing, no capital protection, credit risk, market risk and price risk. We may sometimes provide you with information on a purely factual basis and this will not take into account your personal circumstances. You are therefore responsible for making your decision to invest in financial instruments (or not) without reliance upon us or the information that we may provide.

### 3. Trading on Margin

Trading on margin means that we provide you with a facility that allows you to leverage your deposit to enter into a larger transaction. Margin can be used to create ‘leverage’, which is an increased buying power that allows you to pay less than full price for a transaction than would be possible only using your deposit. However, this leverage means that relatively small market movements can have a disproportionately larger

impact on the value of your account. If the underlying market movement is in your favour, you may achieve a good profit, but an equally small adverse market movement can quickly result in the loss of your entire deposit and it may expose you to a large additional loss over and above your original deposit.

You should monitor your positions at all times, and ensure you are able to quickly add additional funds to your account to maintain your open positions.

### 4. Spread bets and trading in CFDs and forex

All spread betting, trading in contracts for difference (“CFDs”) and forex trading that you do with us is off-exchange, which is also known as “over-the-counter”, or “OTC”. Any derivatives that you hold after entering into in such transactions are non-transferable. Any transaction that you open with us, can only be closed with us. Therefore, you are exposed to our credit risk and, if we become unable to perform our obligations, for example, because we have become insolvent, you may lose your entire investment.

Furthermore, each time that you enter into a transaction with us, in order to hedge our exposure in respect of each such transaction, we will simultaneously enter into an offsetting back-to-back transaction with ADS Securities LLC, which is one its affiliates. Therefore, you are indirectly exposed to the credit risk of ADS Securities LLC because, if ADS Securities LLC becomes unable to perform its obligations towards us, for example because it has become insolvent, we may become unable to perform our obligations to you. Further information concerning ADS Securities LLC is available from its website: [www.adsprime.com](http://www.adsprime.com).

All trades that you make with us are settled in cash, and you do not have any rights to any underlying instrument (including voting rights). The value of such transactions are dependent upon, amongst other things, the value of the relevant underlying instrument, which may be a currency pair, equity, security, index or another financial instrument. OTC transactions involve greater risk than exchange traded instruments because there is no exchange market in which to liquidate your position.

You should read and understand our Best Execution Policy which explains that we are the sole execution venue for your orders. Our Best Execution Policy is available on our website: [www.adsprime.co.uk](http://www.adsprime.co.uk). The prices that we offer to you are generated by us and may differ from exchange prices or prices offered by our competitors.

You can trade our products by going “short”, meaning that you make an investment based on that you think that the price of a security will decrease, which can involve additional risks.

You should be aware that corporate events may be announced at short notice which may have an adverse impact on your profit and loss or borrowing charges may differ during the lifetime of your trade.

Since the possibility of losing your entire cash balance does exist, speculation in spread bets, CFDs and forex should only be conducted with risk capital that you can afford to lose. Such trading is leveraged meaning that your losses may exceed your initial investment, unless we have agreed to offer you negative balance protection. Negative balance protection is only available to retail clients who meet the criteria for negative balance protection set out in our Terms of Business.

You should also be satisfied that each of our products that you chose to purchase is suitable for you in the light of your circumstances and financial position, as well as your investment objectives.

#### 4.1. Spread bets

Spread bets carry a high degree of risk since it involves leverage. This means that spread betting differs significantly from the more common form of fixed odds betting, where your potential losses are predetermined in advance, which means that spread betting may not be suitable for all investors. You should not engage in this form of betting unless you understand the nature of the transaction that you are entering into and the true extent of your exposure to the risk of loss. The amount you may win or lose will vary according to the extent of the fluctuations in the price of the underlying markets on which the bet is based and the degree of leverage.

#### 4.2. CFDs

Contracts for differences or “**CFDs**” carry a high degree of risk since it involves leverage and may not be suitable for all investors. The ‘leverage’ involved in trading CFDs means that a small initial margin deposit can potentially lead to large losses as a relatively small market movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you.

CFDs are contingent liability transactions means that you may be liable for margin to maintain your position in case the market moves against you, which may require you to make a series of payments in addition to any initial payment or premium at a very short notice. It also means that a loss may be sustained well in excess of the premium received. If you fail to do so within the time required, your position may be liquidated at a loss and you will be responsible for the resulting losses. CFDs may only be settled in cash.

#### 4.3. Forex

Trading foreign exchange or “**Forex**” on margin carries a high degree of risk since it involves leverage and may not be suitable for all investors. The ‘leverage’ involved in trading foreign exchange on margin means that a small initial margin deposit can potentially lead to large losses as a relatively small market movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you.

Before deciding to trade foreign exchange on margin you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss in excess of your initial investment. If you fail to meet any margin requirement within the time required, which may be short, your position may be liquidated and you will be responsible for any resulting losses.

#### 4.4. OTC derivatives

Trading in OTC products such as CFDs, forex, foreign exchange options, foreign exchange forwards, options on contracts for difference, bullion, options on bullion or any other OTC product offered by us involves a high degree of risk. Given the leverage involved in trading in OTC instruments, a relatively small market movement can have a proportionately larger impact on the funds deposited in your account. You could sustain a total loss of all funds in your account and may be required to deposit additional funds. If you fail to meet any margin requirement within the time required (which may be short), your position may be liquidated and you will be responsible for any resulting losses.

Transactions in OTC derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an OTC transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

### 5. General Risk Factors

The risk factors discussed in this section 5 (General Risk Factors) apply to of the financial instruments offered by ADS including, without limitation, spread bets, CFDs, Forex and other OTC derivatives.

#### 5.1. Underlying Markets

##### General

The prices we provide to you are ultimately derived from various underlying markets and you should be aware of the risks involved in these underlying markets, which are outside of anyone’s control.

##### Overseas markets

Any overseas investment or investment with an overseas element can be subject to the risks of overseas markets which may involve different risks from those of the home market of the investor. In some cases the risks will be greater. The potential for profit or loss from transactions on foreign markets or in overseas denominated contracts will be affected by fluctuations in overseas exchange rates.

##### Emerging markets

Price volatility in emerging markets, in particular, can be extreme. Price discrepancies, low trading volumes and wide pricing spreads can be common and unpredictable movements in the market not uncommon. Additionally, as news about a country becomes available, the financial markets may react with dramatic upswings and/or downswings in prices during a very short period of time. Emerging markets generally lack the level of transparency, liquidity, efficiency, market infrastructure, legal certainty and regulation found in more developed markets. It may be difficult to employ certain risk and legal uncertainty management practices for emerging markets investments, such as forward currency exchange contracts or derivatives. The risks associated with nationalisation or expropriation of assets, the imposition of confiscatory or punitive taxation, exchange controls, restrictions on investments by foreigners in an emerging market, sanctions, war and revolution should also be considered.

## 5.2. Past Performance

Past performance is not an indicator of future performance. You should not rely on the past performance as a guarantee of future investment performance.

## 5.3. Volatility

Prices may fluctuate rapidly which can have a direct impact on your open positions. Sometimes “gapping” will occur when prices move suddenly from one level to another. There may be a number of events that cause gapping such as economic data releases, natural disasters or major global political events.

Gapping can happen when markets are closed, meaning that the opening price of an instrument may be considerably different to the closing price. This can have a direct impact on your profit or loss.

## 5.4. Liquidity

Markets are known as illiquid when instruments are impossible to sell or can only be sold with difficulty. Market conditions in any underlying instrument may vary and this will affect the size, price and spread of the instruments that we offer to you. Therefore the terms at which you can close a contract may be different from the terms available when you opened the contract.

The liquidity of an instrument is directly affected by the supply and demand for that instrument and also indirectly by other factors, including market disruptions (for example a disruption on the relevant exchange) or infrastructure issues, such as a lack of sophistication or disruption in the securities settlement process. Under certain trading conditions it may be difficult or impossible to liquidate or acquire a position. This may occur, for example, at times of rapid price movement if the price rises or falls to such an extent that under the rules of the relevant exchange trading is suspended or restricted.

## 5.5. Currency

In respect of any foreign exchange transactions and transactions in derivatives and securities that are denominated in a currency other than that in which your account is denominated, a movement in exchange rates may have a favourable or an unfavourable effect on the gain or loss achieved on such transactions.

The weakening of a country’s currency relative to a benchmark currency or the currency of your portfolio will negatively affect the value of an investment denominated in that currency. Currency valuations are linked to a host of economic, social and political factors and can fluctuate greatly, even during intra-day trading. Some countries have foreign exchange controls which may include the suspension of the ability to exchange or transfer currency, or the devaluation of the currency. Whilst it may be possible to hedge against these risks, they cannot be completely eradicated.

## 5.6. Political Risk

An unstable political environment can have a significant effect on a country’s financial stability. Many emerging market countries experience rapid and significant changes in their political environment on a regular basis. Such changes may be due to social, ethnic, or religious strife, often coupled with periods of social unrest. They often result in dramatic changes in governmental policy (including changes in exchange controls and market regulation). The consequences

of such instability may make it difficult for investors or their counterparties to predict the effect of such changes on transactions which they enter into.

## 5.7. Slippage

We cannot guarantee that the price you that request us to execute an order will be the same as the actual price at which your order is filled. Technical conditions (for example, the transfer rate of data networks or the quality of your internet connection, as well as rapid market fluctuations) may lead to a change in the applicable price between the time the order is placed by you and the time the relevant order is received by us or the order is executed by our platform. Such changes to the applicable price are due to fluctuations in the financial markets rather than on arbitrary interventions made by us. If such changes occur, you will be obliged to pay the executed price, even if worse than the specific price quoted.

## 5.8. Corporate Actions

Some products may be affected by corporate actions such as rights issues, mergers, dividend payments or takeovers. Your position may be treated differently to physical positions and this may have an adverse effect on the outcome of your trade.

## 5.9. Insolvency

In case we become insolvent or otherwise default, it may lead to your positions being liquidated or closed-out without your consent or, indeed, investments not being returned to you. We are exposed to the insolvency risk of our sole back-to-back transaction counterparty, ADS Securities LLC, which is one of its affiliates.

There is also insolvency risk in relation to the investment itself, for example of the counterparty to off-exchange derivatives (where the risk relates to the derivative itself and to any collateral or margin held by the counterparty).

## 5.10. Legal and Regulatory

Returns on all, and particularly new, investments are at risk from regulatory or legal actions and changes which can, amongst other issues, alter the profit potential of an investment. Changes to related issues such as tax may also occur and could have a large impact on profitability. Such risk is unpredictable and can depend on numerous political, economic and other factors.

The type of laws and regulations with which investors are familiar in the EEA may not exist in some places, and where they do, may be subject to inconsistent or arbitrary application or interpretation and may be changed with retroactive effect. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. Judges and courts in many countries are generally inexperienced in the areas of business and corporate law.

## 5.11. Electronic Trading Risks

Our services are provided over the internet, if you choose to transact with us in this way there are a number of risks that could materialise. These include, system errors and outages, maintenance downtime periods, internet connectivity issues or failures of third parties (for example, internet service providers or electricity companies).

These technical risks and other circumstances can pose a significant risk to the execution of your orders or the availability of the trading platform.

#### 5.12. Tax Treatment may vary

The tax treatment of your trading activity depends on your own personal circumstances, and may be subject to change in future.

#### 5.13. Charges

You should ensure you fully understand any costs, charges or commissions that may apply to your trades. Such costs and charges will decrease any profit you make when transacting in financial instruments. These are listed in the Schedule of Charges available on our website ([www.adsprime.co.uk](http://www.adsprime.co.uk)).