



**SFG**  
**TRADING**

# **RISK WARNING NOTICE**

SFG Trading (the “Company”) is a Financial Licensee authorized and regulated by Vanuatu Financial Services Commission under registration number 40356.

Following the implementation of the company procedure, the Company provides this notice with information about the risks associated when clients are dealing with financial products. This notice cannot and does not disclose or explain all of the risks and other significant aspects involved in trading Foreign Exchange (Forex) or CFDs or other financial instruments.

## **Product Description**

Forex and CFDs are traded as leveraged product. They offer exposure to the market while requiring you to only put down a small margin (‘deposit’) of the total value of the trade. However, as they are margin traded, a relatively small negative or positive movement in the underlying instrument can have a significant effect on your investment.

Although Forex and CFDs and other financial instruments can be utilized for the management of investment risk, some of these products are unsuitable and not appropriate for some clients as they carry a high degree of risk. While it makes the potential gain quite high even if the deposit is relatively small, it is also possible to lose all your capital if the market moves against you unexpectedly.

## **Trading Is Considered To Be Risky And Speculative**

The Client is responsible for all the losses suffered in his or her account. 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 Forex or CFDs or any other financial instruments, he or she is required to maintain a margin. Margin is usually a relatively modest proportion of the overall contract value. This means that the Client will be trading using “leverage” or “gearing”.

The “gearing” or “leverage” is often obtainable in trading Forex or CFDs and other financial instruments. 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. The greater the leverage, the greater the risk.

At all times during which the Client opens trades, he or she must maintain enough equity, consider all running profits and losses, for meeting the margin requirements. If the prices move against the Client, then the Client must deposit funds to avoid any margin calls otherwise the Company will be entitled to close one or more or all the

SFG Trading

**01963369**

Risk Warning Notice Version: 1.0

1 | Page

Clients' trades regardless of whether the Client agrees with the Company's decision to close his or her trade(s).

Please also note that for margin trades, the Company has the right to amend the margin requirements at any time and you will be required to either top up funds or reduce positions (which may be at a loss) in such an instance, to avoid being forced closed out automatically by the trading platform.

### **Appropriateness**

The Company requires the Client to pass through an appropriateness test during the application process and warns the Client, if on the basis of the information provided, trading Forex or CFDs or any other financial instruments is not appropriate based on the Client's profile.

### **Underlying Market Volatility**

Forex and CFDs and other financial instruments allow the Client to trade on price movements in underlying markets/instruments. 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 such events can result in a significant profit or loss on the Client's account. "Gapping" can occur when the underlying instrument/market is open and when it is closed.

### **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**

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 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.

SFG Trading

**01963369**

Risk Warning Notice Version: 1.0

2 | Page

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.

### **Time May Not Be On Your Side**

If you do not have enough time to monitor your investment on regular basis, you should not trade Forex or CFDs 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.

### **Cost And Charge**

All relevant costs and charges will be provided by the Company. Clients should be aware of such costs and charges that may influence the account profitability of the client.

In addition to any profit or losses, there are different types of costs linked to transactions in financial instruments. Costs will impact the effective return. Examples of costs include commissions charged by the Company. Costs related to the 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.

### **Swap Values and Charges**

If a Client holds any positions overnight, then an applicable swap charge will apply. 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 Client acknowledges that he or she is responsible for reviewing the specifications of the financial instrument on the Trading Platform and for being updated on the level of swap value prior to placing any order with the Company.

### **Complex Instruments Warning**

Complex Instruments are derivatives products for which special risks apply. This notice is provided to you in compliance with the rules of the Vanuatu Financial Services Commission. 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 products are suitable for you in the light of your circumstances and financial position.

SFG Trading

Although complex instruments can be utilized for the management of investment risk, some of these products are unsuitable for many investors. Difference instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should first make acquainted yourself with the risks associated with the investments. Independent financial advice is necessary if you are unsure whether such complex instruments are appropriate for you.

### **Client's Acknowledgement**

The Client hereby acknowledges and declares that he or she has read, understood and thus accepts without any reservation all the information included herein including the following:

- The value of the Financial Instrument (Forex, CFDs or any other derivative product) may decrease and the Client may receive less money than originally invested or the value of the financial instruments 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 them or easily or 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 Instruments' value, price and performance.
- A Financial Instrument in foreign markets may entail risks different than the usual risks in the markets at the Client's country residence. The prospect of profit or loss from transactions in foreign markets is also influenced by the exchange rate fluctuations.