

## **PART A – RISKS ASSOCIATED WITH ALL FINANCIAL INSTRUMENTS**

### **1. Introduction**

- 1.1. This risk disclosure and warning notice is provided to you (our Client and/or prospective Client) in compliance with the Provision of Investment Services and Activities and Regulated Markets Law 187 (I) 2017, and the Markets in Financial Instruments Directive (MIFID II) as subsequently amended from time to time ("the Law"), which is applicable to Chase Buchanan Ltd ("the Company").
- 1.2. All Clients and prospective Clients should read carefully the following risk disclosure and warnings contained in this document, before applying to the Company for a trading account and before they begin to accept any services. However, it is noted that this document cannot and does not disclose or explain all of the risks and other significant aspects involved in dealing in Financial Instruments. The notice was designed to explain in general terms the nature of the risks involved when dealing in Financial Instruments on a fair and non-misleading basis.
- 2.4. There is a risk when a Client trades in any Financial Instruments that he/she may be or become subject to tax and/or any other duty for example because of changes in legislation or personal circumstances. The Company does not warrant that no tax and/or any other liability will become payable. The Company does not offer tax advice.
- 2.5. The Client is responsible for any taxes and/or any other duty which may accrue in respect of their trades.
- 2.6. It is noted that taxes are subject to change without notice.

### **2. Charges and Taxes**

- 2.1. The Provision of Services by the Company to the Client is subject to fees, before the Client begins to accept any services from the Company, he/she should obtain estimates of all fees, commissions and charges for which the Client will be liable. The Company is required under MIFID II legislation to provide (Ex Ante) an estimate of the charges based on initial discussions and investment amounts referred to, this is a guide based on a % which is fixed by product or service (as per the Company's published rate card/schedule of fees – (please refer to the website) however the actual costs (Ex Post) could vary if the actual investment amount changes between initial discussion and advice and the implementation of the transaction, for this reason the Company will confirm after the transactions have taken place the exact charges. For non-transactional ongoing clients, annual statements will be provided which will confirm any charges during the period and any value implications on the aggregated investments.
- 2.2. If any charges are not expressed in monetary terms (but, for example, as a percentage of contract value), the Company will ensure that he/she understands what such charges are likely to amount to by demonstrating the cost of that on a fixed value as an example e.g. a 3% charge on an investment of £1000 would be £33.
- 2.3. The Company may change its charges at any time, however these charges will be notified by the Company to all Clients in advance and according to the provision of the Client Agreement.

### **3. Third Party Risks**

- 3.1. The Company does not hold or receive client money. It is understood that the Company may keep merchant accounts in its name with payment services providers used to settle payment transactions of its Clients. However, it is noted that such merchant accounts are not used for safe keeping of Client money but only to effect settlements of payment transactions.
- 3.2. The Company has no responsibility for any acts or omissions of any third party to whom it will pass on transfer instructions received from the Client.
- 3.3. The legal and regulatory regime applying to any such third party outside Cyprus will be different from that of Cyprus and in the event of insolvency or any other equivalent failure of that third party, a Client's money may be treated differently from the treatment which would apply if the money was held in Cyprus. The Company will not be liable for the solvency, acts or omissions of any third party referred to in this clause.
- 3.4. Any third party to whom the Company may pass a transfer instruction to, may hold money 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 the event of the insolvency or any other analogous proceedings in relation to that third party, the Company may only have an unsecured claim against the third party on behalf of the Client, and the Client will be exposed to the risk that the money received by the Company from the third party is insufficient to satisfy the claims of the Client in respect of the relevant account. The Company does not accept any liability or responsibility for any resulting losses.
- 3.5. A Bank or Broker through whom the Company deals with could have interests contrary to the Client's Interests.

### **4. Insolvency**

4. The Company's insolvency or default, may lead to positions being liquidated or closed out without the Client's consent.

## 5. Investor Compensation Fund

The Company participates in the Investor Compensation Fund for Clients of Investment Firms regulated in the Republic of Cyprus. Certain Clients will be entitled to compensation under the Investor Compensation Fund where the Company fails. Compensation shall not exceed twenty thousand Euros (EUR 20.000) for each entitled Client. For more details please refer to the "Investor Compensation Fund" found on our website.

## 6. Technical Risks

- 6.1. The Client and not the Company shall be responsible for the risks of financial losses caused by failure, malfunction, interruption, disconnection or malicious actions of information, communication, electricity, electronic or other systems.
- 6.2. If the Client undertakes transactions on an electronic system, he will be exposed to risks associated with the system including the failure of hardware, software, servers, communication lines and internet failure. The result of any such failure may be that his order is either not executed according to his instructions or it is not executed at all. The Company does not accept any liability in the case of such a failure.
- 6.3. The Client acknowledges that any unencrypted information transmitted by them via e-mail is not protected from any unauthorized access. The Company will always transmit information encrypted by email.
- 6.4. The Client acknowledges that the internet may be subject to events which may affect his/her access to the Company's Website and/or the Company's system(s), including but not limited to interruptions or transmission blackouts, software and hardware failure, internet disconnection, public electricity network failures or hacker attacks. The Company is not responsible for any damages or losses resulting from such events which are beyond its control or for any other losses, costs, liabilities, or expenses (including, without limitation, loss of profit) which may result from the Client's inability to access the Company's Website and/or System or delay or failure in sending orders or Transactions. In any such events the Company recommends that the Client contact the Company via telephone.
- 6.5. In connection with the use of computer equipment and data and voice communication networks, the Client bears the following risks amongst other risks in which cases the Company has no liability of any resulting loss:
  - (a) Power cut of the equipment on the side of the Client or the provider, or communication operator (including voice communication) that serves the Client;
  - (b) Physical damage (or destruction) of the

communication channels used to link the Client and provider (communication operator), provider, and any information server of the Client;

- (c) Outage (unacceptably low quality) of communication via the channels used by the Client, or the Company or the channels used by the provider, or communication operator (including voice communication) that are used by the Client or the Company;
  - (d) When carrying out transactions via the telephone (land or cell phone lines) voice communication, the Client runs the risk of problematic dialing, when trying to reach an employee or department of the Company due to communication quality issues and communication channel loads;
  - (e) The use of communication channels, hardware and software, generate the risk of non-reception of a message (including text messages) by the Client from the Company;
  - (f) Placing order over the phone might be impeded by overload of connection.
- 6.6. The Client may suffer financial losses caused by the materialisation of the above risks, the Company accepts no responsibility or liability in the case of such a risk materialising and the Client shall be responsible for all related losses he may suffer.

## 7. Communication between the Client and the Company

- 7.1. The Client shall accept the risk of any financial losses caused by the fact that the Client has received but with delay or has not received at all, any notice from the Company.
- 7.2. The Client acknowledges that any unencrypted information transmitted by e-mail is not protected from any unauthorised access.
- 7.3. The Company has no responsibility if any unauthorised third persons have access to information, including electronic addresses, electronic communication and personal data, access data when the above are transmitted between the Company and the Client or when using the internet or other network communication facilities, telephone, or any other electronic means.

## 8. Force Majeure Events

- 8.1. In case of a Force Majeure Event the Company may not be in a position to arrange for the execution of Client Orders or fulfill its obligations under the agreement with the Client. As a result, the Client may suffer financial loss.
- 8.2. According to the Client Agreement the Company will not be liable or have any responsibility for any type of loss or damage arising out of any failure, interruption, or delay in performing its obligations under this Agreement where such failure, interruption or delay is due to a Force Majeure event.

## 9. Abnormal Market Conditions

The Client acknowledges that under Abnormal Market Conditions the period during which the Orders are executed may be extended or it may be impossible for Orders to be executed at declared prices or may not be executed at all.

## 10. Foreign Currency

When a Financial Instrument is traded in a currency other than the currency of the Client's country of residence, any changes in the exchange rates may have a negative effect on its value, price and performance and may lead to losses for the Client.

## 11. No Guarantees of Profit

The Company provides no guarantees of profit nor of avoiding losses when investing capital. The Company cannot guarantee the future performance of the Client's account, promise any specific level of performance or promise that investment decisions, strategies, recommendations or advice provided to eligible Clients will be successful/profitable. The Client has received no such guarantees from the Company or from any of its representatives. The Client is aware of the risks inherent in trading and is financially able to bear such risks and withstand any losses incurred. The Client acknowledges and accepts that there may be other additional risks apart from those mentioned above.

## 12. General Risk Types

The price or value of an investment will depend on fluctuations in the financial markets outside of anyone's control. Past performance is no indicator of future performance. The nature and extent of investment risks varies between countries and from investment to investment. These investment risks will vary with, amongst other things, the type of investment being made, including how the financial products have been created or their terms, the needs and objectives of particular investors, the manner in which a particular investment is made or offered, sold or traded, the location or domicile of the issuer, the diversification or concentration in a portfolio (e.g. the amount invested in any one currency, security, country or issuer), the complexity of the transaction and the use of leverage.

The risk types set out below could have an impact on each type of investment:

## 13. Liquidity:

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. Placing a stop-loss order will not necessarily limit your losses to intended amounts, but market conditions may make it impossible to execute such an order at the stipulated price. In addition, unless the contract terms so provide, a party may not have to accept early termination of a contract or buy back or redeem the relevant product and there may therefore be zero liquidity in the product. In other cases, early termination, realisation or redemption may result in you receiving substantially less than you paid for the product or, in some cases, nothing at all.

## 14. Credit Risk:

Credit risk is the risk of loss caused by borrowers, bond obligors, guarantors, or counterparties failing to fulfil their obligations or the risk of such parties' credit quality deteriorating. Exposure to the credit risk of one or more reference entities is particularly relevant to any credit linked product such as credit linked notes, and the potential losses which may be sustained, and the frequency and likelihood of such losses occurring, when investing in credit links products may be substantially greater than when investing in an obligation of the reference entity itself.

## 15. Market Risk:

The price of investments goes up and down depending on market supply and demand, investor perception and the prices of any underlying or allied investments or, indeed, sector, political, geographical and economic factors. These can be totally unpredictable.

## 16. Interest Rate Risk:

Interest rates can rise as well as fall. A risk with interest rates is that the relative value of a security, especially a bond, will worsen due to an interest rate increase. This could impact negatively on other products. There are additional interest rate related risks in relation to floating rate instruments and fixed rate instruments; interest income on floating rate instruments cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of floating rate instruments at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the relevant instruments provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

Changes in market interest rates have a substantially stronger impact on the prices of zero coupon bonds than on the prices of ordinary bonds because the discounted issue prices are substantially below par. If market interest rates increase, zero coupon bonds can suffer higher price losses than other bonds having the same maturity and credit rating.

## 17. Commodity Risk:

The prices of commodities may be volatile, and, for example, may fluctuate substantially if natural disasters or catastrophes, such as hurricanes, fires or earthquakes, affect the supply or production of such commodities. The prices of commodities may also fluctuate substantially if conflict or war affects the supply or production of such commodities. If any interest and/or the redemption amount payable in respect of any product is linked to the price of a commodity, any change in the price of such commodity, it may result in the reduction of the amount of interest and/or the redemption amount payable. The reduction in the amount payable on the redemption of an investment may result, in some cases, in you receiving a smaller sum on redemption of a product than the amount originally invested in such product.

## 18. Operational Risk:

Operational risk, such as breakdowns or malfunctioning of essential systems and controls, including IT systems, can impact on all financial products. Business risk, especially the risk that the business is run incompetently or poorly, could also impact on shareholders of, or investors in, such a business. Personnel and organisational changes can severely affect such risks and, in general, operational risk may not be apparent from outside the organisation.

## 19. Advice and Recommendations

- 19.1 The Company will not be under any duty to provide the Client with any legal, tax or other advice relating to any Transaction. The Client should seek independent expert advice if he is in any doubt as to whether he may incur any tax liabilities. The Client is hereby warned that tax laws are subject to change from time to time, vary by country and domicile and may be multi-jurisdictional.
- 19.2 The Company may, from time to time and at its discretion, provide the Client (or in newsletters which it may post on its Website or otherwise) with information, recommendations, news, market commentary or other information but not as a service. Where it does so:
- (a) the Company will not be responsible for such information;
  - (b) the Company gives no representation, warranty or guarantee as to the accuracy, correctness or completeness of such information or as to the tax or legal consequences of any related Transaction;
  - (c) this information is provided solely to enable the Client to make his own investment decisions and does not amount to investment advice or unsolicited financial promotions to the Client;
  - (d) if the document contains a restriction on the person or category of persons for whom that document is intended or to whom it is distributed, the Client agrees that he will not pass it on to any such person or category of persons;
  - (e) the Client accepts that prior to sending, the Company may have acted upon it itself to make use of the information on which it is based. The Company does not make representations as to the time of receipt by the Client and cannot guarantee that he will receive such information at the same time as other clients.
- 19.3 It is understood that market commentary, news, or other information provided or made available by the Company is subject to change and may be withdrawn at any time without notice.

## PART B – GENERAL INFORMATION ON RISKS ASSOCIATED WITH SPECIFIC FINANCIAL INSTRUMENTS

### 20. Introduction

The investment decisions made by the Clients and the investment advice provided by the Company to eligible Clients are subject to various markets, currency, economic, geographical, political, business risks etc., and will not necessarily be profitable. The Client acknowledges and without any reservation accepts that, notwithstanding any investment advice or information which may have been given by the Company, the value of any investment in Financial Instruments may fluctuate either upwards or downwards.

The Client acknowledges and without any reservation accepts the existence of a substantial risk of incurring losses and damages as a result of buying or selling any Financial Instrument and acknowledges his willingness to take such risk.

Set out below is an outline of the major categories of risk that may be associated with certain types of Financial Instruments:

### 21. Shares and Other Types of Equity Instruments

A risk with an equity investment is that the company must both grow in value and, if it elects to pay dividends to its shareholders, make adequate dividend payments, or the share price may fall. If the share price falls, the company, if listed or traded on-exchange, may then find it difficult to raise further capital to finance the business, and the company's performance may deteriorate vis a vis its competitors, leading to further reductions in the share price. Ultimately the company may become vulnerable to a takeover or may fail.

Shares have exposure to all the major risk types. In addition, there is a risk that there could be volatility or problems in the sector that the company is in. If the company is private, i.e. not listed or traded on an exchange, or is listed but only traded infrequently, there may also be liquidity risk, whereby shares could become very difficult to dispose of.

### 22. Money-Market Instruments

A money-market instrument is a borrowing of cash for a period, generally no longer than six months, but occasionally up to one year, in which the lender takes a deposit from the money markets in order to lend (or advance) it to the borrower. Unlike in an overdraft, the borrower must specify the exact amount and the period for which he wishes to borrow. Like other debt instruments, money-market instruments may be exposed to the major risk types, in particular credit and interest rate risk.

### 23. Debt Instruments/Bonds/Debentures

All debt instruments are potentially exposed to the major risk types, in particular credit risk and interest rate risk.

Debt securities may be subject to the risk of the issuer's inability to meet principal and/or interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, general market liquidity, and other economic factors, amongst other issues. When interest rates rise, the value of corporate debt securities can be expected to decline. Fixed-rate transferable debt securities with longer maturities/lower coupons tend to be more sensitive to interest rate movements than those with shorter maturities/higher coupons.

### 24. Units in Collective Investment Schemes

Collective investment schemes and their underlying assets are potentially exposed to all of the major risk types.

There are many different types of collective investment schemes. Generally, a collective investment scheme will involve an arrangement that enables a number of investors to 'pool' their assets and have these professionally managed by an independent manager. Investments may typically include gilts, bonds and quoted equities, but depending on the type of scheme, may go wider into derivatives, real estate or any other asset. There may be risks on the underlying assets held by the scheme and investors are advised, therefore, to check whether the scheme holds a number of different assets, thus spreading its risk. Subject to this, investment in such schemes may reduce risk by spreading the investor's investment more widely than may have been possible if he or she was to invest in the assets directly.

The reduction in risk may be achieved because the wide range of investments held in a collective investment scheme can reduce the effect that a change in the value of any one investment may have on the overall performance of the portfolio. Although, therefore, seen as a way to spread risks, the portfolio price can fall as well as rise and, depending on the investment decisions made, a collective investment scheme may be exposed to many different major risk types.

The valuation of a collective investment scheme is generally controlled by the relevant fund manager or the investment adviser (as the case may be) of the collective investment scheme. Valuations are performed in accordance with the terms and conditions governing the collective investment scheme. Such valuations may be based upon the unaudited

financial records of the collective investment scheme and any accounts pertaining thereto. Such valuations may be preliminary calculations of the net asset values of the collective investment schemes and accounts. The collective investment scheme may hold a significant number of investments which are illiquid or otherwise not actively traded and in respect of which reliable prices may be difficult to obtain. In consequence, the relevant fund manager or the investment adviser may vary certain quotations for such investments held by the collective investment scheme in order to reflect its judgement as to the fair value thereof. Therefore, valuations may be subject to subsequent adjustments upward or downward. Uncertainties as to the valuation of the collective investment scheme assets and/or accounts may have an adverse effect on the net asset value of the relevant collective investment scheme where such judgements regarding valuations prove to be incorrect.

A collective investment scheme and any collective investment scheme components in which it may invest may utilise (inter alia) strategies such as short-selling, leverage, securities lending and borrowing, investment in sub-investment grade or non-readily realisable investments, uncovered options transactions, options and futures transactions and foreign exchange transactions and the use of concentrated portfolios, each of which could, in certain circumstances, magnify adverse market developments and losses. Collective investment schemes, and any collective investment scheme components in which it may invest, may make investments in markets that are volatile and/or illiquid and it may be difficult or costly for positions therein to be opened or liquidated. The performance of each collective investment scheme and any collective investment scheme component in which it may invest is dependent on the performance of the collective investment scheme managers in selecting collective investment scheme components and the management of the relevant component in respect of the collective investment scheme components.

In addition, the opportunities to realise an investment in a collective investment scheme is often limited in accordance with the terms and conditions applicable to the scheme and subject to long periods of advance notice (during which the price at which interests may be redeemed may fluctuate or move against you). There may be no secondary market in the collective investment scheme and therefore an investment in such a scheme may be (highly) illiquid.

## 25. Futures/Forwards/Forward rate agreements

Transactions in futures or forwards involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the

position with cash. They carry a high degree of risk. The 'gearing' or 'leverage' often obtainable in futures and forwards trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you. Futures and forwards transactions have a contingent liability, and you should be aware of the implications of this, in particular margining requirements: these are that, on a daily basis, with all exchange traded, and most OTC off-exchange, futures and forwards, you will have to pay over in cash losses incurred on a daily basis and if you fail to, the contract may be terminated.

## 26. Swaps

A swap agreement is a derivative where two counterparties exchange one stream of cash flows against another stream, calculated by reference to an "underlying" (such as securities' indices, bonds currencies, interest rates or commodities, or more intangible items).

A swap agreement may also be combined with an option. Such an option may be structured in two different ways. On the one hand, "swaptions" are transactions that give the purchaser of the swaption the right, against payment of a premium, to exercise or not to exercise, until the agreed maturity date, its right to enter into a pre-agreed swap agreement. On the other hand, "caps", "floors" and "collars" enable a party, against payment or receipt of a premium, to protect itself against, or to take an exposure on, the variation on the value or level of an underlying.

A major risk of off-exchange derivatives, (including swaps) is known as counterparty risk, whereby a party is exposed to the inability of its counterparty to perform its obligations under the relevant Financial Instrument. For example, if a party, A, wants a fixed interest rate loan and so swaps a variable rate loan with another party, B, thereby swapping payments, this will synthetically create a fixed rate for A. However, if B goes insolvent, A will lose its fixed rate and will be paying a variable rate again. If interest rates have gone up a lot, it is possible that A will struggle to repay.

The swap market has grown substantially in recent years, with a large number of banks and investment banking firms acting both as principals and as agents utilising standardised swap documentation to cover swaps trading over a broad range of underlying assets. As a result, the swap market for certain underlying assets has become more liquid but there can be no assurance that a liquid secondary market will exist at any specified time for any particular swap.