

Risk Disclosure Notice

Pepperstone Markets Limited

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Risk Warning: trading CFDs and FX is risky. It isn't suitable for everyone and, if you're a Pepperstone Pro, you could lose substantially more than your initial investment. You don't own or have rights in the underlying assets. Past performance is no indication of future performance and tax laws are subject to change. The information in this document is general in nature and doesn't take into account your or your client's personal objectives, financial circumstances, or needs. Please read our legal documents and ensure you fully understand the risks before you make any trading decisions. We encourage you to seek independent advice.

1. Scope of this Notice

- 1.1 Pepperstone provides you with this Notice to help you understand the risks that might arise when trading CFDs. This Notice is non-exhaustive, and you need to bear in mind that it doesn't contain all the risks and aspects involved in trading CFDs or how the risks relate to your personal circumstances. You should carefully read this Notice in conjunction with our Terms and Conditions, Order Execution Policy and other documents and information available to you through our website, in light of your personal circumstances, before deciding to open an Account and trade with us. We recommend that you seek independent advice if you're unsure.
- 1.2 This notice is provided to Retail Clients and Professional Clients. If you're classified as a Professional Client, please be aware that you won't receive the same protections that are afforded to Retail Clients.

2. Appropriateness Assessment

- 2.1 As part of our Account-opening process we'll carry out an assessment of your appropriateness to trade CFDs and determine, based on information you provide to us, if you have sufficient knowledge and experience to understand the risks involved in trading CFDs. We'll inform you of the results of our assessment, but this doesn't relieve you of the need to carefully consider whether trading CFDs is right for you. If we warn you that trading CFDs may not be appropriate for you, then you should refrain from trading CFDs until you obtain sufficient knowledge and experience and have acquainted yourself with the relevant trading risks. For example, you may trade CFDs on a demo Account to build your knowledge and experience before trading CFDs in a live environment.

3. Nature of CFDs

- 3.1 CFDs are over-the-counter ("OTC"), otherwise known as "off-exchange", derivative products. While some OTC markets are highly liquid, transactions in OTC or "non-transferable" derivatives may involve greater risk than investing in on-exchange derivatives because

there's no exchange market on which to close out an open position. It may not be possible to liquidate an existing position, to assess the value of the position arising from an OTC derivative transaction or to assess the exposure to risk. Bid and offer prices don't need to be quoted, and, even if they are, they'll be established by dealers in these instruments. Consequently, it may be difficult to establish what a fair price is.

- 3.2 A CFD derives its value from the value of an Underlying Asset – for example, the value of one currency against another, the price of a share, a market index or a particular commodity.
- 3.3 We offer a number of different types of CFDs, including Margin FX Contracts and CFDs based on indices, shares, precious metals, energy, soft commodities and Cryptocurrencies. For full details of the CFDs that we offer, please visit our [website](#).
- 3.4 CFDs can be traded in many currencies, so you should check the CFD description within the Platform before you trade.
- 3.5 When you trade CFDs, you're taking a position on the change in value of the relevant Underlying Asset over time. In other words, you're speculating on whether the value of the Underlying Asset is going to rise or fall in the future, compared to when you opened (or executed) your Contract. You don't own or have any rights in the Underlying Asset associated with a particular CFD.
- 3.6 The amount of profit or loss that you experience when you trade a CFD will be the difference between the price when you open the Contract and the price when it's closed-out (adjusted to reflect holding costs, where these apply). If the value of the CFD has moved in your favour, we'll pay money into your Account. If it moves against you, we'll deduct money from your Account.
- 3.7 While you have open Contracts, you may also attract financing costs or Swap charges after each server rollover (5pm New York (EST)). The costs you'll incur depends on the Underlying Asset that you're trading and are subject to change. We explain our fees and other costs in more detail on our [website](#).

4. Prices and Costs

- 4.1 Our dealing costs are set out in writing on our [website](#).
- 4.2 The prices of CFDs that you trade with us include a mark-up; this means that the spreads offered by us comprise of (i) the raw spreads received from liquidity/ price provider(s) and (ii) a mark-up (where applicable).
- 4.3 We charge commission on certain types of Account. We'll charge commissions as a percentage, or basis points, of the total position size trade - your costs aren't relative to the deposit or margin you've used. We'll charge you where indicated on a per transaction basis.
- 4.4 Minimum charges can be relevant for smaller trade sizes and there are also charges associated with overnight financing of positions. We may include costs in the transaction price of Margin FX Contracts. In this situation, we'll stipulate the size of the bid/offer spread quoted depending on the product(s) that you want to trade.
- 4.5 The costs associated with your transactions will show up separately on your Contract notes and statements.
- 4.6 We use pricing that has been sourced from multiple, external, third party Liquidity Providers, which is derived from the prices of the relevant underlying instruments. The prices of CFDs that you trade with us may include a fixed mark-up from those raw spreads but we do not make any other alterations to the pricing.
- 4.7 If you have any queries about costs or our pricing, please contact us by email at support@pepperstone.com.
- 4.8 We offer several different trading accounts that feature different fees and costs.
- 4.9 You shouldn't fund your Account using money obtained from any credit facility (including bank loan or otherwise). It's important for you to note that your overall risks will be significantly increased if you do this. For instance, if you incur a loss on your trades, you'll still have to

repay the amount you borrowed plus any interest or other costs.

5. Leverage and Required Margin

- 5.1 Trading CFDs enables you to use leverage to open a Contract by depositing a fraction of the total Contract value. This means that a relatively small market movement may lead to a proportionately much larger movement in the value of your Contract. You can trade Margin FX Contracts and other CFDs with a high degree of leverage because of the small Margin requirements. Trading with leverage means that even a slight change in the market could lead to a proportionately much larger movement in the value of your investment.
- 5.2 If you're a Professional Client and the market moves against you, your use of leverage means that you could incur losses that may be far greater than the money you've deposited in your Account. Professional Clients may be entitled to one-time negative balance protection, as set out in our Terms and Conditions.
- 5.3 If you're a Retail Client, we'll provide you with Negative Balance Protection which limits your maximum losses (including any costs that you incur) to the value of your Account equity.
- 5.4 You should note that any changes that you make to your leverage level on an already traded Account can immediately affect your open positions, and we may require you to provide additional funding to support your open Contracts.
- 5.5 If you're a Retail Client and your equity (Account balance plus running profit/loss) falls below the 50% Margin level required to maintain your open Contracts, we will automatically close them.
- 5.6 If you're a Professional Client and your equity (Account balance plus running profit/loss) falls below the Margin required to maintain your open Contracts, we'll automatically close them when your Margin reaches the following thresholds:
 - (a) 20% for MetaTrader Accounts;

- (b) 50% for cTrader Accounts; And
- (c) 20% for Pepperstone Platform Accounts.

5.7 It's your responsibility to monitor the required Margin for your open Contracts and in order to avoid a stop-out you may have to fund your Account. You can monitor your Contracts (and Margin requirements) on your Platform.

6. Volatility

6.1 Derivative markets generally can be highly volatile (i.e. they move up and down in value quite quickly) so the risk that you'll incur losses when you trade in derivative Contracts can be substantial.

6.2 High volatility means the markets can be very difficult to predict. This means that you shouldn't consider any Contract offered by us or any other financial services provider to be a "safe" trade.

6.3 In times of extreme volatility, pricing of Contracts can be impacted as the source of that pricing (liquidity) dries up. This can mean, for example:

- (a) the market "gaps" and jumps past the price that you want or expect;
- (b) the underlying bid/ask spread widens (i.e. the gap between the buy and sell price is wider); and
- (c) you could even find it difficult to obtain a price for particular Contracts.

6.4 We pass on any pricing re-quotes from our Liquidity Providers directly to you, without any bias towards the direction the pricing has moved in.

6.5 Highly volatile market conditions can make it difficult for us to execute Orders at the given price, due to an extremely high volume of Orders and/or available liquidity. By the time we're able to execute Orders, the bid/offer price may be reset. This may mean that certain Orders at this time are rejected.

6.6 "Hanging Orders" can also occur during periods of high volume. A Hanging Order is when an Order sits in the "orders" window of the Platform after it's been executed. Generally, the Order has been executed, but it's simply taking a few moments for it to be confirmed. During

periods of particularly heavy volume, it's possible for a queue of Orders to form, and the increase in incoming Orders can sometimes create a delay in confirming certain Orders.

6.7 There are times when Orders may be subject to what's known as "slippage", because of an increase in volatility or volume. This happens most often during fundamental news events or "gapping" in the markets, which create conditions where orders are difficult to execute because of extreme price movements.

6.8 The execution of your Order always depends on the liquidity that's available at all price levels. Although you may be looking to execute at a certain price, even if that price appears on the Platform, the market may have moved significantly or liquidity may be exhausted, in which case your Order would be filled at the next best price or the fair market value.

6.9 When you're considering an Order, please be mindful that all Contracts that you have open at 4:59pm New York (EST) will be subject to a server rollover. Your Contracts will be rolled over by debiting or crediting your Account with a Swap Charge or Swap Benefit. During the server rollover period, trading may be disabled for 2 to 5 minutes and there may be widened spreads as liquidity reduces, which could cause you to experience losses or gains. We're not liable for any losses that you incur during the server rollover period.

7. Stop losses not guaranteed

7.1 You're responsible for monitoring your Account and taking steps to limit your losses. We encourage you to employ "stop-loss orders" to minimise your risk, but it's important for you to note that stop-losses aren't guaranteed. If there are instances of illiquidity, slippage or the market gaps up or down, your exit price will be the next available price, which could deviate significantly from your intended stop-loss price.

8. Foreign Exchange Risks

- 8.1 If you're trading in a product that is denominated in a currency other than the currency of your Account, you'll be impacted by foreign exchange movements. Please refer to our Terms and Conditions for more information on how we treat different currencies.

9. System Risks

- 9.1 We run the Platform in an online environment (the internet). This means there may be issues with you placing Orders or with your Contracts being executed due to internet, system or network issues on your end. Because we can't promise that the internet will work error-free, we can't accept liability for the risks associated with the operation of our Platform. For this reason, you need to be mindful that Platform risks are inherent in every Contract that you trade with us.
- 9.2 For example, a technical issue with your internet connection to our servers, may result in a Hanging Order and a delay in executing your Contract. A disturbance in the connection path can sometimes interrupt the signal and disable the Platform, causing delays in transmission of data between the Platform and our servers.
- 9.3 Disruptions to our operational processes such as communications, computers, computer networks, software or external events could also lead to delays in the execution and settlement of your Contract, meaning that you might be unable to trade in a particular contract that we offer and you could suffer a financial loss or opportunity loss as a result.
- 9.4 If you experience a disruption to our Platform, you can contact our Support team directly at support@pepperstone.com to open\close your Contract.

10. Execution Risk

- 10.1 We aim to provide you with the best pricing available and to fill all Orders at the rate you've requested. But there are times when Orders may be subject to what's known as "slippage", because of an increase in volatility or volume.

This happens most often during fundamental news events or "gapping" in the markets, which create conditions where Orders are difficult to execute because of extreme price movements.

- 10.2 The execution of your Order always depends on the liquidity that's available at all price levels. Although you may be looking to execute at a certain price, the market may have moved significantly or liquidity may be exhausted, in which case your Order would be filled at the next best price or the fair market value.
- 10.3 When you're considering executing an Order, please be mindful that all Contracts that you have open at 23:59 (server time) will be subject to a server rollover. Your Contracts will be rolled over by debiting or crediting your Account with a Swap Charge or Swap Benefit. During the server rollover period, trading may be disabled for 2 to 5 minutes and there may be widened spreads as liquidity reduces, which could cause you to experience losses or gains. We're not liable for any losses that you incur during the server rollover period.

11. Cryptocurrency Risk

- 11.1 CFDs are high risk investment products, which are volatile, creating opportunity for high financial returns or losses. Cryptocurrencies are also high risk instruments and their value can fluctuate significantly. Cryptocurrencies are also subject to technology risks. If you choose to invest in Cryptocurrency CFDs, you do so acknowledging that these instruments are much more volatile than traditional currencies, so sharp and sudden moves in the price could see you lose significant amounts of money very quickly.
- 11.2 We base the price of our Cryptocurrency contracts on the Underlying Market, made available to us by the exchanges and Liquidity Providers that we trade with.
- 11.3 When you trade CFDs on Cryptocurrencies, you need to be aware of the risk of a "hard fork" occurring. A hard fork is when a single Cryptocurrency splits in two due to a split in the blockchain network (ledger of Cryptocurrency transactions) and occurs when a Cryptocurrency's existing code is changed. This can result in both an old and new version of the particular Cryptocurrency.

- 11.4 In the event of a hard fork,:
- (a) we'll generally follow the blockchain that has the majority consensus of Cryptocurrency users. We reserve Pepperstone reserves the right to determine which blockchain) and Cryptocurrency unit has the majority consensus behind them and use this as a basis for Cryptocurrency Contracts; and
 - (b) there may be substantial price volatility around the event. We may suspend trading throughout if we don't have reliable prices from the Underlying Market.
- 11.5 If the hard fork results in a variable second Cryptocurrency becoming tradeable on exchanges we have access to, then, in our absolute discretion, we may create an equivalent contract or cash adjustment on your Account to reflect its value. When a hard fork occurs, there may be substantial price volatility around the event, and we may suspend trading throughout if we do not have reliable prices from the Underlying Market.
- 11.6 We'll attempt to notify you of potential hard forks, but it's however it is your responsibility to make yourself aware of the hard forks that could occur.
- 11.7 We may enforce a total limit on the total amount of Cryptocurrency exposure that you're allowed each client is allowed to maintain. This information is available on our website or from our Support team upon request. We reserve the right to reduce your Cryptocurrency positions if your notional exposure size exceeds this limit.

12. Automated Trading Risk

- 12.1 While you're able to connect to and use third party trading tools and systems with the Platform (such as automated trading strategies/expert advisors, copy traders and robot traders), using these tools and systems is high risk and could lead to you incurring significant financial losses.
- 12.2 We don't have any control over the logic or code that these third party providers use when

developing their tools and systems and we're not responsible or liable for their operation in connection with the Platform.

- 12.3 We don't endorse any third party provider and you should take steps to ensure that any third party tools or systems that you use to trade with us have been developed by reputable providers that, where relevant, are appropriately licensed or permitted to provide the relevant services to you.
- 12.4 Your use of automated trading strategies such as EAs is solely at our discretion. We reserve the right to restrict access to your Account by such automated trading strategies where we consider that the level of activity or server messages generated are deemed unreasonable, relative to your trading activities.
- 12.5 This may require us to temporarily change the password to your Account until such time as the automated strategy or EA is modified or deactivated. We'll attempt to contact you before taking this action prior, but we reserve the right to change your password immediately to support the proper functioning of our servers.

13. Client Money

- 13.1 We'll keep any money that we hold on your behalf in one or more segregated accounts with an institution within or outside The Bahamas, separated from our own money.
- 13.2 Your client money won't be kept separate from other client's money in this account, therefore you won't have a claim against a specific sum in a specific account, in the unlikely event of our or the bank's insolvency. Instead, your claim may be against the client money held in our segregated account.
- 13.3 In general, accounts held with institutions face various risks, including the potential risk of being treated as one (1) account in case the institution defaults. Another risk might be that the funds in the bank account may be exposed to our obligations to other Clients if we're unable to meet them. We're not liable to you if the bank we use to hold client money becomes

insolvent and you have no redress against us in this situation.

14. No Advice

- 14.1 We provide you with our products and services on an execution-only basis – which means that you're solely responsible for any decisions that you make in relation to our products and services.
- 14.2 We're not a financial advisor and we don't provide any regulatory, tax or legal advice. Sometimes we'll provide you with general factual information about the market and how our various products and services work. Any information and analysis that we provide you is general in nature and doesn't take into account your or your client's personal objectives, financial situation or needs. You shouldn't regard any of the information that we provide to you as an investment recommendation or an offer to make a transaction.
- 14.3 Tax benefits are subject to change and depend on your individual circumstances. We recommend that you seek specialist advice if you're unsure about any of these matters.

15. Corporate Actions

- 15.1 If your Contract is the subject of a corporate action such as rights issues, takeovers, mergers, we'll decide what adjustment, if any, will be made to your Contract or your order to:
- (a) preserve the economic equivalent of the rights and obligations of you and us in relation to the Contract immediately before the corporate action took place; and/or
 - (b) replicate the same effect of the corporate action on your Contract that it would have on someone with an interest in the relevant Underlying Asset. This may include closing-out a Contract or opening a new Contract.

16. Regulatory and Legal Risks

- 16.1 Changes in taxation and other laws, government, fiscal, monetary and regulatory

policies may have a material adverse effect on your dealings in OTC derivative products. We'll do our best to let you know whenever a change in legislation will impact the way that you deal with us.

17. Past Performance

- 17.1 Past performance, simulation or prediction of CFDs doesn't guarantee future results. You should note that the value of your investment can decrease (as well as increase) as the market price of the Underlying Asset may fluctuate downwards (or upwards).

18. Words that we use in this Notice

"Account" means your trading account with us.

"Agreements" means this notice, our Terms and Conditions, Application Form, and any information on our Platform or website which governs our relationship with you.

"Application Form" means the online form that you complete on our website to open an Account.

"CFD" means a contract-for-difference, a type of OTC derivative product that we offer.

"Cryptocurrency" means a digital asset that's subject to significant volatility and risks.

"Contract" means an OTC derivative Contract between you and us, which is an agreement to pay or receive the difference in value of an Underlying Asset.

"Hanging Order" has the meaning given to it in section 6.6 of this Notice.

"Liquidity Provider" means a counterparty that we pass trades to, to manage our risk, also known as a hedging counterparty.

"Margin" means the amount of money that you need to deposit into your Account to enter into or maintain a Contract with us under the Agreements.

"Margin FX Contract" means a leveraged foreign exchange Contract, a type of OTC derivative product that we offer.

"Order" means an offer that you make to enter into a Contract with us under the Agreements.

"Pepperstone", "we" "us" and "our" means Pepperstone Markets Limited.

"Pepperstone Platform" means Pepperstone's proprietary trading platform accessible via a mobile app or over the internet.

"Platform" means any online software that we make available to you for entering into Margin FX Contracts and CFDs under the Agreements, including the Pepperstone Platform.

"Professional Client" has the same meaning as in our Terms and Conditions.

"Retail Client" has the same meaning as in our Terms and Conditions.

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"Terms and Conditions" means the current version of our Terms and Conditions, which form part of our legal relationship with you, as available on our website.

"Underlying Asset" means the instrument or asset that underlies your Order or Contract and determines the value of that Contract – for example a stock market index, commodity, currency pair, futures contract, equity, crypto currency or any other instrument or asset.

"Underlying Market" means the market in which an Underlying Asset is traded. For example, the Australian Securities Exchange.



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