



## **Risk Warning Notice**

## 1. Introduction

- 1.1. AFS Global Ltd (Labuan Company No.: LL14899) (hereinafter referred to as 'AFS', 'Company', 'we', 'our', 'us' as appropriate) is a Labuan company licensed by the Labuan Financial Services Authority to conduct Labuan fund management under licence number FML/21/0060A and Labuan money-broking business under licence number MB/18/0025.
- 1.2. This notice provides you with information about the risks associated with Leveraged Financial Instruments (such as CFDs and NDFs) as well as Securities, but it cannot explain all of the risks nor how such risks relate to your personal circumstances. If you are in doubt, you should seek professional advice.
- 1.3. It is important that you fully understand the risks involved before deciding to enter into a trading relationship with us. If you choose to enter into a trading relationship with us, it is important that you remain aware of the risks involved, that you have adequate financial resources to bear such risks and that you monitor your positions carefully.

## 2. CFDs and NDFs risk warning

CFDs, FX and NDFs are complex instruments and come with a high risk of losing money rapidly due to leverage. The vast majority of retail client accounts suffer capital losses when executed on these financial instruments. You should consider whether you understand how these financial instruments work and whether you can afford to take the high risk of losing your money. You should not trade in CFDs and NDFs unless you understand the risks involved. You should only consider trading CFDs and NDFs if you wish to speculate, especially on a very short term basis, or you wish to hedge an exposure in your existing portfolio, and if you have extensive experience in leveraged trading, in particular during volatile markets, and can afford any losses.

## 3. Product description

- A "Contract for Difference" or "CFD" shall mean a derivative financial instrument which is an agreement to either buy or sell a contract that reflects the performance of an underlying asset such as including amongst others, Foreign Exchange/FX (i.e. currency pairs), precious metals, futures and shares; the profit or loss is determined by the difference between the price a CFD is bought at and the price is sold at and vice versa. When trading CFDs, you are not entitled to the physical delivery of the underlying asset of the CFDs you are trading and you have no rights (including voting rights). When clients purchase, for example, CFDs on shares they are merely speculating on the share's value to either increase or decrease. CFDs have no set maturity date. Therefore, a position matures on the date a Client chooses to close an existing open position.

- “Non-Deliverable Forward” or “NDF” shall mean a derivative financial instrument, which is a cash-settled forward contract between the Client and the Company to buy or sell an underlying asset at a specified price on a future date. There is no delivery or ownership of the Underlying Asset to the Client, hence the name “non-deliverable.” The Company shall buy the Underlying Asset for its own account and this shall allow the Client to be entitled to dividend payments (and will have claim over Corporate Actions, apart from voting rights). Depending on the fixing rate at the expiry of the NDF, a loss may occur in the underlying market.
- “Securities” shall mean shares, bonds, futures contracts, units in collective investment undertakings, money-market instruments, negotiable instruments and other type of Financial Instruments are negotiable on the capital market, with the exception of instruments of payment, such as shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares, bonds or other forms of securitised debt and any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures, which may be available by the Company from time to time.

## 4. Main risks associated with transactions in CFDs and NDFs

- 4.1. Positions opened with us are not traded on any exchange (i.e. the transactions are undertaken over the counter (OTC)) and, as such, they may expose the Client to greater risks than regulated exchange transactions.
- 4.2. **Leverage or Gearing:** Foreign Exchange (FX) and CFDs trading, unlike traditional trading, enables the Client to trade the markets by paying only a fraction of the total trade value. However, it should be noted that leverage means that a relatively small market movement may lead to a proportionately much larger movement in the value of the client’s position. So, leveraged trading means that potential profits are magnified; it also means losses are magnified. The lower the margin requirement, the higher the risk of potential losses if the market moves against the Client.
- 4.3. **Constant Monitoring:** Foreign Exchange (FX) and CFDs can require constant monitoring over a short period of time (minutes/hours/days). Even maintaining an investment overnight exposes you to greater risk and additional cost. The volatility of the stock market and other financial markets, together with the extra leverage on your investment, can result in rapid changes to your overall investment position. Immediate action may be required for you to manage your exposure, or to add additional margin. You should only trade Foreign Exchange (FX) and CFDs if you have enough time to monitor their investments on a regular basis. If the market moves against you, you may be called upon to pay substantial additional Margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss. Even if the transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered into the contract.

**4.4. Liquidity Risk:** Some of the CFD underlying assets may not become immediately liquid as a result of reduced demand for the underlying asset. As such, the Client may not be able to obtain the information on the value of these or the extent of the associated risks.

#### **4.5. Foreign markets and Currency Risk**

- Foreign markets involve different risks from domestic markets. In some cases, risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign currency will be affected by fluctuations in foreign exchange rates. Such enhanced risks include the risks of political or economic policy changes in a foreign media, which may substantially and permanently alter the conditions terms, marketability or price of a foreign currency.
- Investing in FX Contracts, CFDs and NDFs with an underlying asset listed in a currency other than your base currency entails a currency risk, due to the fact that when the CFD or FX or NDF is settled in a currency other than your base currency, the value of your return may be affected by its conversion into the base currency. Any changes in the exchange rates may have a negative effect on the financial instrument's value, price and performance, and may lead to losses for the Client.

**4.6. Risk reducing orders or strategies:** The placing of certain orders (e.g. "stop loss" or "stop limits" orders) that are intended to limit losses to certain amounts may not always be effected because market conditions or technological limitations may make it impossible to execute such orders. Strategies using combinations of positions such as "spread" and "straddle" positions, may be just as risky or even riskier than simple "long" or "short" positions.

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**4.7. Performance calculation:** Unlike in the case of direct investment in underlying assets such as shares, bonds or commodity futures, in cases of CFDs and NDFs you are subject to an exponentiated market risk; market risk is the possibility of a client experiencing losses due to factors that affect the overall performance of the financial markets in which the client is involved. Controlling such risk requires a specific kind of expertise and trading experience. In addition, the margin held by you on your account amounts to just a fraction of the value of the corresponding underlying asset of the CFD or NDF when high leverage is applied. The higher the leverage, the smaller the fraction of the underlying asset's value to be put down and the smaller the part of the underlying's price fluctuation range covered by your margin.

**4.8. Slippage:** Slippage occurs when the market moves suddenly in any direction, and is the difference between the expected price of a trade, and the price at which the trade was actually executed. The price is then said to have ‘slipped’ when the market has ‘gapped’ from one level to another. This applies in the event of either advantageous or disadvantageous price movements and can result in either losses (negative slippage) or gains (positive slippage).

#### **4.9. Volatility risk**

- Some derivatives (such as CFDs offered for trading with the Company) trade within wide intraday ranges with volatile price movements. Therefore, the Client must carefully consider that there is a high risk of losses as well as profits. The price of derivative financial instruments is derived from the price of the underlying asset in which the derivative financial instruments refer to. Derivative financial instruments and related underlying markets can be highly volatile. The prices of derivative financial instruments and the underlying asset may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the Client or the Company.
- Under certain market conditions, it may be impossible for a Client’s order to be executed at the declared prices, leading to losses. Due to market conditions which may cause any unusual and rapid market price fluctuations, or other circumstances, the Company may be unable to close out Customer’s position at the price specified by Customer and the risk controls imposed by the Company might not work and Customer agrees that the Company will bear no liability for a failure to do so.
- Changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic vents, and the prevailing psychological characteristics of the relevant market place are factors which, among other things, influence the prices of derivative financial instruments and the underlying asset.
- In times of high volatility or market/economic uncertainty, values may fluctuate significantly. Such fluctuations are even more significant in case of leveraged positions and may adversely affect your positions. In the event of default, your positions may be closed out.

**4.10. Operational risks:** Operational risk with the Company on your computer are inherent in every CFD and NDF transaction. For example, disruptions in the Company’s operational processes such as communications, computers, computer or mobile networks or external events may lead to delays in the execution and settlement of a transaction. The Company does not accept or bear any liability whatsoever in relation to its operational processes, except to the extent that it is caused by the fraud, negligence or dishonesty by the Company.

## **5. Risks related to Cryptocurrency CFDs**

Cryptocurrency CFDs are complex, extremely risky and usually highly speculative. Trading in Cryptocurrency CFDs involves a high risk of loss of funds over a short period of time due to high market volatility, execution issues and industry-specific disruptive events, including, but not limited to, discontinuation, regulatory bans and other malicious actors within cryptocurrency ecosystems.

The pricing of Cryptocurrency CFDs is derived from specific cryptocurrency exchanges, which means that the market depth is limited to what is available in the order books of such exchanges. These markets are relatively new and thus might be volatile and limited in terms of liquidity. The pricing engines of cryptocurrency exchanges may experience delays and/or interruptions which can be caused by numerous potential issues.

Cryptocurrency CFD trading is not appropriate for all investors and therefore, any person wishing to trade in Cryptocurrency CFDs should have detailed and updated knowledge and expertise in these specific products. Customers should always be fully aware and understand the specific characteristics and risks related to these products as laid down in this section.

## 6. Shares

There is a risk that, in the event of the issuer of the shares entering into insolvency or other similar proceedings, the shareholders will receive less than their original investment or will receive nothing.

The value of a share may go up or down based on the economic performance of the issuer. Shares could be exposed to volatility in the market or sector in which the issuer operates as well as the volatility of the general economy.

If the price of a share goes down, the issuer may find it difficult to raise further capital which may lead, in turn, to further reductions in the price of that share.

The price of a share will be affected by the commercial decisions and behaviour of the issuer and its management. In particular, the relevant issuer of the shares may or may not elect to pay dividends to shareholders (although in some cases the issuer is required to pay the shareholders a fixed dividend). A failure by the issuer to pay dividends may lead, in turn, to a reduction in the price of the share.

Furthermore, if they are not listed or traded on an exchange, or are listed but traded only infrequently, the shares may be illiquid, in which case it may be difficult to dispose of them. An investor with a significant position in a share may find it difficult to dispose of large volumes of shares even in a liquid market.

## 7. Money market instruments

Money market instruments are debt securities representing borrowings of cash for a short term period (generally no longer than six months but occasionally up to one year). Because of their short-term nature, money market instruments are typically more liquid than other investments.

Investments in money market instruments may be affected by the credit risk, market liquidity and volatility, amongst other factors. The speed and volume of money market transactions may also give rise to additional interest and market risks

## 8. Units in collective investment schemes

A collective investment scheme typically enables a number of investors to pool their assets by purchasing units in the scheme. The pooled assets will then be managed and invested by an independent manager (who may invest in other Financial Instruments, among other assets). The price of the units in the collective investment scheme can fall as well as rise.

Investors in a collective investment scheme will be exposed to the risks associated with any investment made by the manager, although exposure to any single type of risk may be reduced by the fact that each investor's investments will be spread more widely.

The price of units in a collective investment scheme may be affected by the valuation of the scheme and the Financial Instruments and other assets held by the scheme (which may themselves go up or down). Valuations are typically performed by the manager in accordance with the terms and conditions governing the collective investment scheme, and may be based on unaudited accounts or preliminary calculations.

The manager may vary certain quotations for Financial Instruments and other assets held by the collective investment scheme in order to reflect the manager's judgement as to the fair value (for example where Financial Instruments and assets are illiquid and reliable market prices are difficult to obtain).

Therefore, valuations may be subject to subsequent adjustments upward or downward.

Managers of collective investment schemes may use various strategies when investing pooled assets, including short-selling, securities lending and use of leverage, each of which could alter or magnify the risks investors are exposed to.

There may also be limited opportunities to realize an investment in a collective investment scheme (as a result of the terms and conditions that govern the collective investment scheme) and there may be no secondary market in the collective investment scheme, which means that an investment in the scheme may be highly illiquid and difficult to dispose of.

Please see the section entitled "Financial Instruments linked to fund shares including hedge funds" for further risks relating to units in certain collective investment schemes.

## 9. Third party risk

In the event of the insolvency or any other analogous proceedings in relation to a third party which has been appointed to hold Client money or Client Securities, the Company may only have an unsecured claim against the party on behalf of the Client. This means that the Client may be exposed to the risk that the money received by the Company from such party is insufficient to satisfy the claims of the Client.