Risk Disclosure

Tickmill UK Ltd

September 2020
1. Introduction

Tickmill is a trading name of Tickmill UK Ltd (the “Company”, “us”, “we”, “our”, “ours” or “ourselves” as appropriate) and is authorised and regulated in the United Kingdom by the Financial Conduct Authority (“FCA”) under firm reference number 717270. The Company’s Principal and Registered Office is 3rd Floor, 27-32 Old Jewry, London EC2R 8DQ (registered company number 09592225).

This notice is provided to you in compliance with FCA requirements because you are proposing to undertake dealings in financial instruments in the form of CFDs, Spot FX and/or Exchange Trade Derivatives (ETD) with a firm which is carrying on investment business. This notice cannot and does not disclose or explain all the risks and other significant aspects involved in dealing in such products.

We do not provide advice relating to investments or possible transactions in investments or investment recommendations of any kind. We can provide factual market information or information, in relation to a transaction about which you have enquired, as to transaction procedures, potential risks involved and how those risks may be minimised.

1.1 Definitions

Definition of Contract for Difference (CFD):
A contract for difference ("CFD") is a leveraged contract entered into with Tickmill UK Ltd on a bilateral basis. It allows an investor to speculate or hedge on rising or falling prices in an underlying asset through online trading platforms. It also allows clients to hedge against any future adverse market movements. An investor has the choice to buy (or go "long") the CFD to benefit from rising underlying asset prices; or to sell (or go "short") the CFD to benefit from falling underlying asset prices or not trade at all. The price of the CFD is derived from the price of the underlying asset price, which may be either the current ("cash") price or a forward ("future") price. For instance, if an investor is long a Tickmill UK Ltd CFD and the price of the underlying index rises, the value of the CFD will increase - at the end of the contract Tickmill UK Ltd will pay the difference between the closing value of the contract and the opening value of the contract. Conversely, if an investor is long and the cash price of the underlying index falls, the value of the CFD will decrease - at the end of the contract they will pay Tickmill UK Ltd the difference between the closing value of the contract and the opening value of the contract. The leverage embedded within all CFDs has the effect of magnifying both profits and losses.

Definition of Exchange Trade Derivatives (ETD):

ETD is a derivative contract that derives its value from an underlying asset that is listed on a trading exchange and guaranteed against default through a clearinghouse. ETDs include futures contracts, options contracts, and futures options.

Engaging in CFDs, Spot FX or ETD trading (in this notice referred to as a ‘Transaction’) carries a high degree of risk to your capital. You should not engage in this form of investing unless you fully understand the nature of the Transaction you are entering into and the true extent of your exposure to the risk of loss. Your profit and loss will vary according to the extent of the fluctuations in the price of the underlying markets on which your Transaction is based.

For many members of the public, these transactions are not suitable. You should, therefore, consider carefully whether they are suitable for you in the light of your circumstances and financial resources and investment objectives. In considering whether to engage in this form of investing, you should be aware of the following:
2. Leveraged Products

2.1 Introduction
The high degree of "leverage" or "gearing" (i.e. the funds required at the outset, compared with the size of the trade you can place) is a feature of this type of Transaction. Therefore, a relatively small movement in the underlying market can have a disproportionate effect on your Transaction. If the underlying market movement is in your favour, you may achieve a good profit, but an equally small adverse market movement can result in the loss of your entire deposit as a Retail Client Status. Negative balance protection is available on per account basis for our Retail Clients and Elective Professional Clients: if your balance falls below zero, we will bring it back to zero as soon as possible at no cost to you. If you are a Professional Client an adverse movement can result in a loss but may also expose you to a large additional loss, in particular, your losses may exceed your initial deposit as a Professional Client and no deposit or other amount you have paid will limit your losses. If you decide to engage in Margined FX or CFD trading, you must accept this degree of risk.

You may be called upon to deposit substantial additional margin, at short notice, to maintain your position(s). If you do not provide such additional funds within the time required, your position(s) may be closed at a loss and you will be liable for any resulting deficit. If you are in any doubt regarding our products, you should seek independent professional advice.

2.2 Spot FX and CFDs Trading
The purpose of a Spot FX or CFD Transaction is to secure a profit or avoid a loss by reference to fluctuations in the price of the underlying asset or an index (the "Underlying Market"). In the context of our activities, the Underlying Market may be a securities index, exchange rate between two currencies, CFDs on gold, silver, oil or such other investment as we may from time to time agree in writing. It is an express term of each CFD or Spot FX Transaction that neither you nor us:

- acquire any interest in or right to acquire or is obliged to sell, purchase, hold, deliver or receive the Underlying Market; and
- that the rights and obligations of each party under the CFD or Spot FX Transaction are principally to make and receive such related payments.

2.3 Exchange Trade Derivatives (ETD)
Tickmill also offers ETD products, namely futures and options, for suitable clients. These and all other products are provided by Tickmill as specified on our website.

2.3.1 Futures
Futures trading involves speculating on the price of a specific underlying asset going up or down in the future. A future gives the holder a standardised obligation to either buy or sell the underlying asset at a specified price at a certain date in the future. The underlying asset may, for instance, be raw materials, agricultural produce or financial products. Depending on the nature of the future, the asset either must be settled for the price difference or by actual delivery at the settlement date.

Futures are always traded in a regulated market, either by direct trading in the stock exchanges' trading systems, or by reporting of transactions. As futures are margin traded, they allow you to take a larger position than you would otherwise be able to, based on your funds with held in your Tickmill account. Remember that a relatively small negative or positive market movement can have a significant effect on your investment. Futures trading therefore involves a relatively high degree of risk. This makes the potential gain high, even if the deposit is relatively small. However, if your total exposure on margin trades exceeds your deposit, you risk losing more than your deposit.
2.3.2 Options (Contract Options)

Options trading is highly speculative and is not suitable for all investors due to the risks involved. Buyers and sellers of Contract Options should familiarise themselves with the type of option (i.e. put or call, bought or sold) they intend to trade and the associated risks.

A Contract Option gives you the right or the obligation to either buy or sell a specified amount or value of a particular underlying asset at a fixed exercise price, by the option being exercised either before or on its specified expiration date. A Contract Option which gives you the right to buy or the obligation to sell is a call option and a Contract Option that gives you the right to sell or the obligation to buy is a put option.

A Contract Option that is in the money on expiry will always be exercised. Trading Contract Options involves a high level of risk. Contract Options that give you the right to either sell or buy an underlying asset (bought Contract Options) might expire worthless and your initial investment (i.e. premium and transaction costs) will be lost. Contract Options that give you the obligation to either sell or buy an underlying asset (sold Contract Options) can result in substantial (potentially unlimited) losses.

To ensure you will be able to cover losses on sold Contract Options, Tickmill will require margin charges. Nonetheless, potential losses can exceed the margin charged and you will be liable for these losses. If your total exposure on margin trades exceeds your deposit, you risk losing more than your deposit.

If the underlying asset of a Contract Option is a margin traded product (i.e. a derivative), and if the Contract Option is being exercised by the buyer, then the buyer (in case of a call option) or the seller (in case of a put option) of the Contract Option will acquire a position in the underlying margin traded product with associated risks as well as liabilities to provide margin.

3 Important trading information

3.1 Spot FX and CFD General Information

Exchange Spot FX and CFD trading

Spot FX and CFD transactions with Tickmill are not transacted on a recognised or designated investment exchange and, accordingly, they may expose you to greater risks than exchange transactions. The transactions structure and rules will be established solely by Tickmill in accordance with FCA Conduct of Business rules. For example, if you wish to close the position, you will have to close it at Tickmill’s quotation which may reflect a premium or discount to the Underlying Market. When the Underlying Market is closed, Tickmill’s quotation can be influenced by the weight of other clients’ buying or selling with Tickmill. As an example, the spread can widen substantially. You will only be able to close any position with the same provider with whom it was originally entered.

When entering such transactions, Tickmill will do so under a two-way client agreement (i.e. Tickmill Terms of Business and documents incorporated by reference therein) in accordance with the FCA Conduct of Business rules unless exempted from doing so. You should satisfy yourself that dealing is conducted throughout in strict conformity with the Client Agreement.

3.2 Exchange Trade Derivatives General Information

Future Transactions:

Transactions in futures 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 trading means that a small deposit or down payment can lead to large

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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 transactions have a contingent liability, and you should be aware of the implications of this, the Margining requirements, which are set out on our website.

Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example, when the market reaches a daily price fluctuation limit ("limit move").

**Options Transactions**
There are many different types of options with different characteristics and risks subject to the following conditions.

**Buying options**: Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you will acquire the future. This will expose you to the risks described in this document under ‘contingent liability investment transactions’.

**Writing options**: If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (when the options will be known as ‘covered call options’) the risk is reduced. If you do not own the underlying asset (‘uncovered call options’) the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

**Traditional options**: Certain London Stock Exchange ("LSE") member firms under special LSE rules write a particular type of option called a 'traditional option'. These may involve greater risk than other options. Two-way prices are not usually quoted and there is no access to a market via a Market on which to close out an open position or to affect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk.

**Certain options**: Markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

**Clearinghouse Protections**
A clearinghouse is a designated intermediary between a buyer and seller in a financial market. The clearinghouse validates and finalizes the transaction, ensuring that both the buyer and the seller honour their contractual
obligations. Every financial market has a designated clearinghouse or an internal clearing division to handle this function. Clearinghouse act as third parties for futures and options contracts.

The performance of a transaction by us (or third-party with whom we are dealing on your behalf) on many exchanges, is ‘guaranteed’ by the exchange or clearing house and we may have the benefit of certain legal protections from our clearing member. However, it is unlikely that in most circumstances this guarantee or legal protections will cover you, the client, and may not protect you if we or, another party were to default on obligations owed to you.

**Insolvency**

Our insolvency or default, or that of any other brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent.

### 3.3 GENERAL TRADING INFORMATION

**Margin Requirement**

We reserve the right to adjust margin requirements for any product that we may offer. This may result in your margin requirement increasing and you may therefore be required to deposit additional funds to maintain existing positions.

**Contingent liability investment transactions**

Contingent liability investment transactions, which are Margined, require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately. If you trade in futures, contracts for differences, spot FX or sell options, you may sustain a total loss of the Margin you deposit to establish or maintain a position. 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 and you may be responsible for the resulting deficit remaining on your account. Even if a 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 the contract. Save as specifically provided by the FCA, your firm may only carry out Margined or contingent liability transactions with or for you if they are traded on or under the rules of a recognised or designated investment exchange. Contingent liability investment transactions which are not so traded may expose you to substantially greater risks.

**Position Monitoring**

It is your responsibility to monitor your account. Should the net value of the account (cash plus running profits minus running losses) fall below the margin required, we may close some or all of your trades at the current market price. This should not however be taken as a guarantee, and it is your responsibility to ensure that sufficient funds are always on your account.

**Market Risk**

Spot FX, CFD and ETD trading rely on the price movement of underlying financial products. You are therefore exposed to similar, but magnified, risks to holding the underlying assets. In some cases, risks will be greater.
Creating a stop loss order may limit your loss but this is not guaranteed as your losses may be greater in some circumstances. Slippage occurs when a stop loss does not get filled at the exact order price but slips to a higher or lower price. This may be because the Underlying Market has become unusually volatile for a period of time. Where this happens a Stop Loss may not be effective, and your position will be closed at the current Tickmill price.

Gapping is when a market jumps significantly, resulting in your stop loss being missed and your trade closed at a much higher or lower price than intended. Accordingly, where you have an open position in a volatile market environment you must understand the potential impact of these events, as you could be filled at the next available Tickmill price.

Under certain trading conditions it may be difficult or impossible to liquidate a Position. This may occur, for example at times of rapid price movement if the price rises or falls in one trading session to such an extent that trading is restricted or suspended.

At market opening and closing times and prior to announcements, the market spread may widen substantially. Consequently, you must ensure that you have sufficient funds on your account to cover this eventuality.

Where you are trading a product denominated in a currency different to that in which you hold your account, fluctuations in the exchange rate will affect your profit and loss potential.

**Counterparty Risk**

We are the counterparty to all your trades. While we undertake our obligation to provide you with best execution and to act reasonably and in accordance with our published Terms of Business and conditions that you have contracted with us.

**Suspensions of trading**

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session 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 the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

**Credit**

No credit is extended to you. Neither a Variation Margin credit allocation, nor an Initial Margin credit allocation constitute a credit facility.

**Segregated Accounts**

Tickmill is required to hold retail client funds in segregated trust accounts in accordance with the regulations of FCA, but this may not afford complete protection. While we monitor the creditworthiness of our banks closely and select them based on robustness and solidity, this does not mean that they are risk-free. If you deposit collateral as security with Tickmill, you should ascertain from Tickmill how your collateral will be dealt with.

**Non-readily realisable investments**

Non-readily realisable investments are investments in which the market is limited or could become so. We may arrange or enter transactions in non-readily realisable investments.
You may have difficulty selling this investment at a reasonable price and, in some circumstances, it may be difficult to sell it at any price. Do not invest in such investments unless you have carefully thought about whether you can afford it and whether it is right for you.

**Regulatory and Legal Risk**

The risk that a change in laws and regulations will materially impact a security and investments in a sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape and as such alter the profit potential of an investment. This risk is unpredictable and may vary from market to market. In emerging markets such risk may be higher than in more developed markets. For example in emerging markets the inadequacy or absence of regulatory measures can give rise to an increased danger of market manipulation, insider trading or the absence of financial market supervision can affect the enforceability of legal rights.

**Financial Services Compensation Scheme**

As an FCA regulated firm, your trading with Tickmill may be covered by the Financial Services Compensation Scheme ("FSCS" or the "Scheme"). This scheme may in certain circumstances pay compensation to clients if they are eligible and we are unable, or likely to be unable, to meet our liabilities to clients including when the firm became insolvent.

This depends on the type of business you undertake, your status, and the circumstances of the claim. Most types of investment business are covered for up to £85,000 (which is the maximum level of compensation per client). Further information about compensation arrangements is available from the FSCS.

You can contact the FSCS by writing to them at 10th Floor, Beaufort House, 15 St. Botolph Street, London, EC3A 7QU, or by emailing them at the email address provided on the Financial Services Compensation Scheme website at [www.fscs.org.uk](http://www.fscs.org.uk).

**Tax**

You take the risk that your trades and any related profits may be or become subject to tax. You are responsible for all taxes and stamp duty in respect of your trades. We do not provide any tax advice to clients, and you are responsible for your own tax affairs. If you are in any doubt as to your tax obligations, you should seek independent advice.

**Commission, Spreads and other costs**

You should obtain details of all commissions and other charges for which you will be liable, prior to trading with Tickmill. Where charges are not expressed in money terms (such as a bid offer spread), you should obtain a clear explanation of what such charges are likely to mean in specific money terms. When commission is charged as a percentage (such as futures), it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.

Some type of trades you make may require you to pay financing costs. Trades in currencies different than your base currency may require you to convert those foreign currencies to your base currency. The combination of overnight financing and foreign exchange costs may exceed any profits on your trades or increase the losses that you may incur on your trade.