

# Risk Disclosure Statement

## 1. Introduction

This risk disclosure statement is provided to you (our Client and prospective Client) in compliance to the Investment Services and Activities and Regulated Markets Law of 2017 L.87(I)/2017, as this may be amended from time to time (“the Law”), which is applicable to Mexem Ltd ( hereinafter “the Company”).

The Company is an Investment Firm regulated by the Cyprus Securities and Exchange Commission with License No. CIF 325/17.

Subject to the provisions of the Law, since you are interested in dealing with the Company in financial instruments, such as Stocks, Options, Futures, Bonds and Contracts for Difference for the purpose of investing through the websites operated by the Company, (i.e. [www.inter-il.com](http://www.inter-il.com)) for the provision of financial services by Interactive Brokers.

You understand that the financial services and clearing agreement shall be entered into by and between you and Interactive Brokers. By saying Interactive Brokers we refer to Interactive Brokers LLC, a Company incorporated under the laws of SEC and FINRA; as well as all the related entities with the aforementioned entity (as these stated in Interactive Brokers official website available at:

<https://www.interactivebrokers.co.uk/en/home.php#> ) and which are incorporated and licensed in different jurisdictions. Interactive Brokers has the necessary authorisation and license for providing their investment services in different jurisdictions among them to the countries of the EEA in accordance with their license.

This is not to be considered as advice or any kind of indication as to what should the client do. The Company merely acts as an introducing broker and/or facilitator for the purpose of the client entering into a financial services agreement with Interactive Brokers.

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 accepting investment services and begin to trade with the Company. 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.

This notice should be read along with the “Terms and Conditions” and along with the Terms and Conditions, Risk Disclosure Statement and other relevant documentation as these are issued by Interactive Brokers.

In this respect, clients should consider carefully before trading in financial instruments, as this is suitable for clients who understand and are willing to assume the financial, legal and other risks involved as well as those who are financially able to assume any losses.

Clients are advised to seek independent investment advice, if necessary. The Client should consult with an independent advisor for your investment practices, if you are not sure as to what to do.

## **2. Charges and Taxes**

The Provision of Services by the Company to the Client is subject to fees, available on the Company’s website at <https://www.inter-il.com/%d7%a2%d7%9e%d7%9c%d7%94>. Before the Client begins to trade or accept any services from the Company, he should obtain details of all fees, commissions, charges for which the Client will be liable. It is the Client’s responsibility to check for any changes in the charges.

If any charges are not expressed in monetary terms (but, for example, as a percentage of contract value), the Client should ensure that he understands what such charges are likely to amount to.

The Company may change its charges at any time, according to the provisions of the Company’s Terms and Conditions. The Client acknowledges and agrees that Interactive Brokers may automatically subtract such amount from his Client Account.

The Client should take the risk that his trades in Stocks, Options, Futures Bonds and Contracts for Difference may be or become subject to tax and/or any other duty for example because of changes in legislation or his personal circumstances. The Company does not warrant that no tax and/or any other stamp duty will be payable. The Client should be responsible for any taxes and/or any other duty which may accrue in respect of his trades.

Before clients begin to trade, they should obtain details of all commissions and any charges for which they will be liable and should also be aware of the following:

## **3. Risks associated with Transactions:**

It is emphasised that for many members of the public dealings in financial instruments, including but not limited to Stocks, Options, Futures, Bonds and Contracts for Difference will not be suitable. The Client should not engage in any dealings directly or indirectly in

financial instruments unless he/she knows and understands the features of the risks involved in them.

1. The Client should unreservedly acknowledge and accept that, regardless of any information which may be offered by the Company, the value of the financial instrument may fluctuate downwards or upwards and it is even probable that the investment may become of no value.

2. The Client should unreservedly acknowledge and accept that he runs a great risk of incurring losses and damages as a result of the dealing in Stocks, Options, Futures Bonds and Contracts for Difference and accepts and declares that he is willing to undertake this risk.

3. The Client should not engage in any dealings directly or indirectly in Stocks, Options, Futures, Bonds and Contracts for Difference unless he knows and understands the futures risks involved in them.

4. Before the Client begins to trade, he should obtain details of all commissions and other charges for which the Client will be liable. If any charges are not expressed in money terms (but for example as a dealing spread), the Client should obtain a clear written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. The value of open positions in Stocks, Options, Futures, Bonds and Contracts for Differences is subject to swap charges. Swap charges are based on prevailing market interest rates, which may vary over time. Details of daily financing fees applied are available on the Company's website.

5. Clients are required to deposit a minimum of collateral with the Company in order to open a position. The collateral will depend on the underlying instrument of the Stocks, Options, Futures Bonds, Contracts for Difference or any other financial instrument, level of leverage chosen and the value of position to be established. The Company may not notify the Client for any additional requirements regarding the collateral needed to sustain a loss making position. The Company has the discretionary right to start closing positions when collateral cannot maintain the Client's position. The company guarantees that there will be no negative balance in the account when trading CFDs.

#### **4. Third Party Risks**

The Company does not hold or receive Clients' money. Any funds in relation to the Client Account shall be deposited and held directly by Interactive Brokers.

#### **5. Insolvency**

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

## **6. 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 Policy".

## **7. Technical Risks**

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.

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 transmitted for execution or 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.

The Client acknowledges that any unencrypted information transmitted by them via e-mail is not protected from any unauthorised access.

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 contacts the Company via telephone.

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.

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.

## **8. Trading Platform**

Trading platform or Platform shall mean the online trading platform of Interactive Brokers where the Client can trade in financial instruments and where his client account is located.

The Client understands that the Company is not the owner or the operator of the Platform and that the Platform is not a recognised exchange.

You understand that your use of the Services and the Platform is at your own risk.

We shall not be liable to you if the IB does not agree to open a Client Account, terminate your Client Account or your use of the Platform, or restricts the same.

We shall not be in liable to you in any manner whatsoever with respect to the Platform which includes but is not limited to the Client Account, which includes but is not limited to: (i) the IB not accepting your Order; (ii) the manner that the IB accepts your Order; (iii) any action taken by the IB with regard to the Platform; or (iv) for any act or omission made or not made by the IB with respect to your Platform. THE TERMS AND CONDITIONS GOVERNING YOUR RELATIONSHIP WITH THE IB AND YOUR USE OF THE PLATFORM ARE GOVERNED BY YOUR AGREEMENTS WITH THE IB. PLEASE ENSURE THAT YOU READ ALL SUCH AGREEMENTS CAREFULLY, THAT YOU UNDERSTAND SUCH AGREEMENTS AND AGREE TO THE TERMS AND CONDITIONS INCLUDED THEREIN.

## **9. Communication between the Client and the Company**

The Client shall accept the risk of any financial losses caused by the fact that the Client has received with delay or has not received at all any notice from the Company or the IB.

The Company has no responsibility if 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.

#### **10. Force Majeure Events**

We shall not be liable to you for a failure to perform any of the Services or our obligations under the User Agreement if the failure results from any cause beyond our control ("Force Majeure"). Force Majeure shall include but not be limited to acts of God, acts of government, fire, flood or storm damage, earthquakes, labour disputes, war, riot, strikes or other industrial disputes, breakdown or interruption of power supply, failure of transmission or communication equipment or facilities, hacker attacks or failure the Company's servers.

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.

#### **11. 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.

The Company does not price the financial instruments traded on the Platform and that the prices of financial instruments may change following any instructions provided by you to us. You acknowledge that the price of the underlying asset applicable to the financial instrument in the Order may change during the confirmation process of the price as a result of the high volatility of the markets, latency, or a number of other technological or financial variables.

#### **12. 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.

#### **13. 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, neither 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.

#### **14. 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 high degree of "gearing" or "leverage" is a particular feature of the Stocks, Options, Futures, Bonds and Contracts for Difference. This stems from the margining system applicable to such trades, which generally involves a comparatively modest deposit in terms of the overall contract value so that a relatively small movement in the underlying market can have a disproportionately effect on the Client's trade. The Contracts for Difference available for trading with the Company are non-delivery spot transactions giving an opportunity to make a profit on changes in currency rates, commodity, stock market indices or share prices called the underlying instrument. If the underlying instrument movement is in the Client's favour, the client may achieve a good profit, but an equally small adverse market movement cannot only quickly result in the loss of the Clients' entire deposit but also any additional commissions and other expenses incurred.

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

**Liquidity risk:** 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.

**Credit Risk:** the risk that the issuer or guarantor of a product such as a share or a bond is not able, usually for financial reasons, to repay principal and/or interest in relation to the product or to meet its financial obligations in relation to the product, with resulting loss to the investor.

**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.

**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.

**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.

**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.

**Regulatory and legal risk:** A change in laws and regulations may materially impact a Financial Instrument and investments in a sector or market. A change in laws or regulations made by a government or a regulatory body or a decision reached by a judicial body can increase business operational costs, lessen investment attractiveness, change the competitive landscape and as such alter the profit possibilities of an investment. This risk is unpredictable and may vary from market to market.

For further information in relation to the risks associated with specific financial instruments, please refer to the relevant warnings and disclosures available on Interactive Brokers' website:

<https://www.interactivebrokers.com/en/index.php?f=1552&p=disclosures>

## 15. **Social Trading**

The Company may make available a Social Trading service, upon your agreement, whereby you will be invited to select from a choice of pre-built plans, depending on your suitability.

You acknowledge that by activating an automated trading strategy, you accept that orders will be transmitted to your broker account without further approvals for specific orders.

A copied trader's positions (with respect to any of our financial instruments) shall be copied in an amount equal to the lower of either the minimum position amount or the proportional amounts of the copied trade to the realised equity of the copied trader as the basis for the proportions of copied trades. Such positions shall have the same leverage, stop loss and take profit, to the maximum extent possible. Trades below the minimum trade amount shall not be opened. All such positions shall be modified and/or closed automatically if and when modified/closed by the copied trader, for whatsoever reason, without providing any further notice and without any action on your part. You should be able and prepared to bear the loss of the entire investment you made in such a copied trader. You are fully responsible for any losses you may sustain as a result of our automatic execution of instructions generated as a result of the utilising of any of the Social Trading Features.

You acknowledge that Social Trading features are provided by us solely for informational purposes and investment decisions made in reliance on information which is available on our websites or as a result of the use of the social trading features, are

done at your own risk and the Company, and its affiliates, their employees and their agents will not be liable for any losses that you may sustain.