



# Risk disclosure

## January 2022

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# 1. General

Following the implementation of the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) and in accordance to the provisions of the Financial Services and Activities and Regulated Markets Law 87(I) 2017, Conotoxia Ltd (hereinafter called the “Company”) is required to establish and provide to its clients and potential clients Risk Disclosure (hereinafter called the “Policy”).

The Company draws clients’ attention that investing in Financial Instruments on the OTC markets is associated with a considerable risk of incurring losses by the customer. Investing in Financial Instruments on the OTC markets is not suitable for everyone as it may result in loss of invested capital, and in extreme cases, losses may exceed the value of the funds deposited by the customer.

Before the Company opens an account for you, the Company is required to make an assessment of whether the products and/or services you have chosen are appropriate for you, and to warn you if, on the basis of the information you have provided, that any product or service is not appropriate.

The Company may ask you for information about your financial assets and earnings. We do not monitor on your behalf whether the amount of money that you have sent us or your profits and losses are consistent with that information. It is up to you to assess whether your financial resources are adequate and what level of risk you take.

If the client is warned that the given Financial Instruments are not appropriate for him/her and still decides to deal with the Company, the client is deemed to have confirmed that he/she understands the risks involved and accepts them.

## 2. Types of risks

Risk factors associated with investing in financial instruments on OTC markets are:

- 1) Market risk or the risk of unfavorable changes in the price of the underlying instrument - concluding transactions in financial instruments whose price is based on exchange rates, commodity prices, levels of stock indices or prices of other underlying instruments involves risks occurring in the market on which the underlying instrument is quoted. The risk of the market of the underlying instrument includes in particular the risk of political changes, changes in economic policy and other factors, which could significantly and permanently affect the price of the underlying instrument.
- 2) Credit risk - OTC transactions may involve greater risk than investing in on-exchange transactions because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an OTC transaction or to assess the exposure to risk. There is no central clearing and no guarantee by any other party of our payment obligations to you, so you are exposed to credit risk with the Company.
- 3) Currency risk - changes in exchange rates may have a negative impact on the price of financial instruments also when the instruments are not directly based on exchange rates.
- 4) Interest rate risk - changes in interest rates level could adversely affect the price of financial instruments and, consequently, the financial results of the client.

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- 5) Leverage risk – it is possible to invest in financial instruments offered by the Company using the financial leverage. This means that the nominal value of the transactions may exceed the value of contributed margin. This leads to situation where even a small change in the price of a financial instrument may have extent impact on the Customer's account. Bearing in mind the interests of client, the Company do not recommend to use the maximum available leverage and suggests careful money management policy.
  - 6) Liquidity risk - the risk of reduction or inability to purchase or sell a financial instrument. Increased liquidity risk may arise in particular in the situation of the market slump or in the case of the publication of important macroeconomic data. The risk of a short-term reduction of liquidity may occur around the closing day for banks offering liquidity (before and after 17:00 New York time);
  - 7) The risk of decline in collateral value - in case of unfavorable changes in the prices of financial instruments there may be a decline in the value of contributed margin. It may result in the automatic closure of the client's open position;
  - 8) Price gap risk - leaving an open position for a period in which there is no trading in financial instruments exposes the investor to an increased risk of price changes of a financial instrument. The opening price after the start of trading may significantly differ from the closing price of the previous trading day. As a result of the price gap, clients' positions may be automatically closed, and client may suffer the loss that exceed the value of contributed margin.
  - 9) Slippage risk – pending orders (Limit/Stop/Take Profit/Stop Loss) may be subject to a price slippage, what means that in some circumstances order execution may not be available at your chosen price, then it will be filled at the best available price at that time.
  - 10) Risk of order execution - there is a possibility of failure of the order execution by the Liquidity Provider at earlier offered price. In this case, the Client's order is directed to Liquidity Provider with the next best offer delivered.
  - 11) Operational risk - transactions executed through IT systems carries the risk of errors or delays in the transaction execution or the transmission of the data stream, which does not lie on the side of the Company and for which the Company is not liable. As a result of these irregularities order submitted for execution by the client may not be realized, or the conditions for its execution may differ significantly from the client's intentions;
  - 12) Force Majeure - risk situation, which remains outside the control of the Company and the Client, which cannot be predicted in advance, having a significant impact on the business.
  - 13) Your trades may be taxable - There is a risk that your trades may be or become subject to tax and/or any other duty, e.g., due to changes in the relevant laws and regulations or your personal circumstances. The Company does not offer tax advice. The client is responsible for any taxes and/or any other duty which may accrue in respect of his/her trades.
  - 14) There is no guarantee of profit - There are no guarantees of profit nor of avoiding losses when trading CFDs. Neither the Company nor its representatives intend to provide nor can they actually provide such guarantees. The Client has been alerted by means of this Statement that risks are inherent to trading CFDs and that he/she and must be financially able to bear such risks and withstand any losses incurred.

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The customer declares that he is fully aware that due to the high leverage, investments in financial instruments is associated with the possibility of incurring significant losses, even when a small price change in the price of a financial instrument occur.

The customer declares that he is fully aware of the fact that it is not possible to make profit from investments in financial instruments without exposure to the risk of loss.

### 3. Advice and Recommendation

The Company will not provide to its clients any investment advice relating to investment or possible transactions in investments or make investments recommendations. Therefore, each decision to trade any financial instruments with the Company and transaction is appropriate for a client is a solely independent decision made by the client and client takes all responsibility.

### 4. No guarantee of Profits

The Company does not and will not guarantee to its clients any profits or how-to avoid losses when trading derivative financial instruments. The Client acknowledges and accepts that has not received any guarantees from the Company or its representatives. Also, the client warrants that is aware of the risk involve in trading derivative financial instruments and is financial able to bear the risks.

### 5. Investor Compensation Fund

The Company is a member of the Investor Compensation Fund (ICF) which means that client funds may be eligible to receive compensation for any claims arising from the inability or failure to fulfill its financial obligation.

### 6. Final provisions

Before deciding to make investments in financial instruments customer, taking into account own experience, investment objectives and individual risk appetite should analyze whether such investment is an activity suitable for him.

It is highly recommended too reduce the risks associated with entering into transactions, to consider taking actions in terms of protecting from the onset of high losses, in particular by placing orders restricting the occurrence of loss (Stop Loss).