Risk Disclosure

March 2023

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Conotoxia Ltd. is registered in Cyprus, authorized and regulated by the Cyprus Securities and Exchange Comission (licence no. 336/17). The company provides access to investment services and CFD trading for clients across the European Economic Area.

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1. General

Following the implementation of the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II") and in accordance with 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 a 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 to send 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 or Services 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.

5) Leverage risk – it is possible to invest in financial instruments offered by the Company using financial leverage. This means that the nominal value of the transactions may exceed the value of contributed margin. This leads to situations where even a small change in the price of a financial instrument may have an extensive impact on the Customer's account. Bearing in mind the interests of clients, the Company does not recommend to use the maximum available leverage and suggests a careful money management policy.

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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 clients may suffer the loss that exceeds the value of contributed margin.
9) Slippage risk – pending orders (Limit/Stop/Take Profit/Stop Loss) may be subject to a price slippage, which 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 an 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 must be financially able to bear such risks and withstand any losses incurred.
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 occurs.
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.

Risk factors associated with Investment Advice are:

1) Risk of obsolescence - recommendations provided under the Investment Advice service are current at the time of their issuance unless otherwise specified. Due to, among other things, a change in market conditions, the recommendation issued may become outdated.

2) Investment risk - information that the Client received from the Company cannot be treated by the Client as an assurance or guarantee of any benefit or profit from the transaction recommended. The final decision on the purchase or sale of a financial instrument is made solely by the Client.
3) Risk of unsuitability of the recommended financial instrument - the Company shall make reasonable efforts to ensure that the financial instruments it recommends under Investment Advice service are suitable for the Client. The Company cannot ensure that the recommended financial instrument will still be suitable for the Client at the time when the Client decides to make a transaction based on the recommendation issued, especially if a long time has passed between the issuance of the recommendation and the execution of the transaction.
4) The risk of suspension of trading in financial instruments recommended – trading in financial instruments (e.g. shares) or underlying instruments in case of CFDs may be suspended after the issuance of recommendation. This risk arises from law and regulations of the local stock exchange.
5) Capital loss risk - is related to the possibility of losing the invested capital, which occurs in situations where there is no guarantee of protection for all or part of the capital invested. The purchase of some of the recommended financial instruments may involve the risk of losing up to 100% of the capital.
6) Liquidity risk - the risk of reduction or inability to purchase or sell a recommended 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 EST).
7) 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 or recommendation issued.
8) Volatility risk - the market price of the recommended financial instrument in the short term may be subject to significant fluctuations, making the recommendation issued outdated.

9) Since the Individual Recommendation issued by the Company is valid only at the time it is issued unless otherwise specified, the Client should make an investment decision immediately following its receipt. The Client is specifically made aware that over time, due to changes to e.g. Client's personal situation and investment needs, as well as the events on the market, the Individual Recommendation originally valid and/or suitable for the Client, may no longer be valid and/or suitable for the Client at the time of carrying out the Transaction. The Client should carefully assess the validity of the Individual Recommendation before making investment decisions, and if necessary, request the Company to issue a new Individual Recommendation. Since the Company does not provide ongoing Investment Advice services to the Client, the Company shall not have any duty to monitor the Client's investments or the financial instruments that the Client chooses over a specific time period nor shall the Company have any duty to provide continuous updates to the Client regarding any developments. The final choice for effecting or not any Transaction lies with the Client and the Client will be solely responsible for any unexpected, positive or negative, return on their investments. Hence, the Company shall have no liability in respect of acts or omissions of natural or legal persons which may substitute it during the reception and transmission or execution of the Client's order.

3. Advice and Recommendation

In accordance with the Terms and Conditions, the Company may provide to its clients an Investment Advice relating to investment or possible transactions in investments or make investments recommendations. Nonetheless, each decision to trade any financial instruments 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 it has not received any guarantees from the Company or its representatives. Also, the Client warrants that it is aware of the risk involved in trading derivative financial instruments and is financially 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 the Client, taking into account own experience, investment objectives and individual risk appetite should analyze whether such investment is an activity suitable for him taking into consideration the outcome of the appropriateness and/or suitability assessment performed by the Company and the provided risk warning.
It is highly recommended to 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).

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