



**QUANTIC**  
ASSET MANAGEMENT

# RISK DISCLOSURE

January 2019

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## RISK DISCLOSURE

AFX Capital Markets Ltd. (“AFX”, “we”, “us”, “our”) trading as Quantic is authorised and regulated by the Cyprus Securities and Exchange Commission (CySEC) under licence number 119/10 and registration number 253014. We are also regulated under the Market in Financial Instruments Directive (MiFID) in regards to other offices within the European Union under the MiFID Passporting Regime.

Our licence details can be found on the CySEC website. The address of AFX Capital Markets Ltd is Arch. Kyprianou 2 & Agiou Andreou, G. Pavlidis Building, 3<sup>rd</sup> floor, 3036, Limassol, Cyprus.

The purpose of this document is to advise you of the possible associated risks with trading Contracts For Difference (CFDs), and Foreign Exchange (Forex, FX) through a managed account as required under the Market in Financial Instruments Directive (MiFID). By reviewing this Disclosure document, you are under no obligation to commit to an investment with us; however, the content is based on those proposing to trade through a managed account with AFX Capital Markets Ltd. It is acknowledged and therefore should be noted, that this Risk Disclosure does not contain all the risks involved in trading CFDs and Forex through a managed account and is there as a guide to assist the Client in acknowledging the possible risks involved. Each Client should ensure that their decision is made on an informed basis and that they are happy with the information available to them.

### **PLEASE READ THE BELOW BEFORE PROVIDING PERMISSION FOR US TO UNDERTAKE IN ANY TRADES ON YOUR BEHALF**

Prior to instructing us to trade CFDs and Forex on your behalf, you must be aware you are aware of the risks involved. Managed Accounts involve transferring complete power over trading to AFX. Whilst you can monitor your account, the only instructions you can give are to remove the manager, change your own details on the account and deposit and withdraw funds. You will not be able to open or close individual trades. In this document we may refer to you, however, this will be your Account Manager when referring to trading.

AFX uses automated algorithmic based trading strategies monitored by Account Managers. The software is fed with live data

and analyses that data to decide when to open or close trades. There are risks involved in this type of automated trading including but not exclusively, software failure, input errors caused by price feed errors outside AFX's control, internet connection issues and electronic failures. Whilst the program is monitored by Account Managers, human errors can occur and so there is a risk that such issues could result in positions being opened or closed incorrectly.

The high degree of leverage associated with these types of investments means that the degree of risk compared to other financial products is higher. Leverage (or margin trading) may work against you resulting in substantial loss as well as for you resulting in substantial gain.

Past performance[s] of these types of investments does not guarantee any future results. You must bear in mind any fees, commissions, trading charges and tax liabilities you personally will have from investing with us. AFX Capital Markets Ltd. accepts no liability for any tax you may be required to pay on any profits made during the time you are an account holder with us.

Before providing permission for AFX to trade on your behalf, you should carefully consider your investment objectives, level of financial experience, and risk appetite. If you are at all unsure as to the suitability of the products offered by AFX Capital Markets Ltd, please seek independent financial advice. There is always a relationship between high reward and high risk. Any type of market or trade speculation that can yield unusually high returns is subjected to high risk. Only surplus funds should be placed at risk and anyone who does not have such funds should not participate in trading CFDs or Forex.

TRADING IS NOT SUITABLE FOR EVERYONE.

TRADING CFD'S & FOREX THROUGH MANAGED ACCOUNTS INVOLVES A HIGH DEGREE OF RISK AND CAN WITHOUT AGREEING LIMITS CAUSE A COMPLETE LOSS OF YOUR FUNDS

Under MiFID, AFX Capital Markets Ltd is required to issue this risk disclosure document and disclose how we manage Conflicts of Interest, Best Execution, and issues regarding the procedure for submitting any complaints you may have against us as well as our regulatory status.

Our Conflicts Of Interest Policy and Best Execution Policy are available on our [website](#).

Should you have a Complaint about the service you have received from us, please contact: [compliance@quantic-am.com](mailto:compliance@quantic-am.com) in the first instance. A detailed outline of our complaints process can be found at: [www.quantic-am.com](http://www.quantic-am.com).

Different instruments involve different levels of exposure to risk, and in deciding whether to provide permission to us to trade in such instruments the Applicants should be aware of the following points:

## 1. CFDS IN GENERAL

CFDs are complex financial products which generally only close when a client chooses to close an existing open position, and therefore generally have no set maturity date.

CFDs can be likened to futures which can be entered into in relation to certain indexes, precious metals, oil, commodities or financial instruments. However, unlike other futures, these contracts can only be settled in cash. Investing in a CFD carries risks similar to investing in a future and you should be aware of these. Transactions in CFDs may also have a contingent liability and you should be aware of the implications of this asset out in paragraphs 3, 5, 17 and 18 below. All CFD trades are contracts for difference which means that clients do not have any right to the underlying instrument or the rights which are attached unless specifically stated in the CFD. This includes no right to the reference shares or any voting rights.

The Client acknowledges that there are significant risks in using derivative instruments. In general terms, a derivative instrument is one whose value depends on (or is derived from) the

value of underlying assets, interest rate or indexes. Interest rate swaps, options, futures, options on futures and or other interest rate-related transactions are examples of derivatives. Derivative instruments involve risks different from the direct investment in underlying securities. Such risks include imperfect correlation between the value of the instrument and the underlying assets; risks of default by the other party to certain transactions; risks that the transactions may result in losses that partially or completely offset gains in portfolio positions; risks that the transactions may not be liquid; and manager risk;

## **2. INVESTING IN ROLLING FOREX, INDEXES, PRECIOUS METALS, OIL AND COMMODITIES**

Investing in rolling forex, indexes, precious metals, oil and commodities carries similar risks as investing in a future and you should be aware of these. Margined transactions in rolling forex, indexes, precious metals, oil and commodities may also have a contingent liability and you should be aware of the implications of this as set out in paragraphs 3 and 4 below.

In addition to standard industry disclosures contained in this Risk Disclosure, you should be aware that margined rolling forex, indexes, precious metals, oil and commodities trading are some of the riskiest forms of investment available in the financial markets and are only suitable for sophisticated individuals and institutions. Given the possibility of losing an entire investment where no limits are applied, speculation in the precious metals, indexes, oil, commodities or foreign exchange markets, trading should only be conducted with risk capital funds that if lost, will not significantly affect your personal or institution's financial wellbeing.

## **3. FOREIGN MARKETS**

Foreign markets involve different risks from the client's native 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 market, which may substantially and permanently alter the conditions, terms, marketability or price of a foreign currency.

## **4. 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 work because market conditions or technological limitations may make it impossible to execute such orders. Should the account manager trade using such orders or strategy they and therefore you do so accepting this risk.

## **5. CONTINGENT LIABILITY TRANSACTIONS**

CFDs and Forex are margined transactions requiring you to make a series of payments against the contract value, instead of paying the entire contract value immediately. You may sustain a total loss of the margin you deposit with AFX Capital

Markets Ltd. to establish or maintain a position. AFX Capital Markets Ltd. revalues your open positions continuously during each business day, and any profit or loss is immediately reflected in your account and a loss may result in you being called upon to pay substantial additional margin on short notice to maintain your open positions.

AFX Capital Markets Ltd. may also change its rates of initial margin and/or notional trading requirements at any time, which may also result in a change to the margin you are required to maintain.

## 6. LEVERAGE

Whilst derivatives instruments can be utilised for the management of the risk, some investments are unsuitable for many investors. CFDs and Forex trading carry a high degree of risk. The gearing and leverage that is obtainable with CFDs and Forex trading means that you only need to place a small deposit to commence trading with AFX Capital Markets Ltd. although this small deposit may result in large losses or large gains. Highly leveraged transactions are subject to significant changes in value as a result of relatively small changes in the value or level of an underlying or related market factor.

## 7. OVER THE COUNTER (OTC) TRANSACTIONS

When trading CFDs you speculate on the anticipated price change for a particular underlying. This trading does not occur on a regulated market. You will enter directly into a contract with AFX Capital Markets Ltd. in respect of the financial instrument or other underlying you wish to trade under a CFD. All open positions with AFX Capital Markets Ltd. must be closed with AFX Capital Markets Ltd. and cannot be closed with any other party.

Trading in OTC financial transactions may expose you to greater risks than trading on a regulated market because there is no market on which to close out your open positions and prices and other conditions are set by us subject to any legal/regulatory requirements. OTC transactions may increase the liquidity risk and introduce other significant risk factors: it may be impossible, for example, to assess the value of a position resulting from an off-market transaction or to determine the risk exposure. Also, bid prices and offer prices need not be quoted by AFX Capital Markets Ltd. and, even where they are, AFX Capital Markets Ltd. may find it difficult to establish a fair price particularly when the relevant exchange or market for the underlying is closed or suspended. You are also exposed to the risk of AFX Capital Markets Ltd.'s

default; however, in the unlikely event this occurs we are members of the Investor Compensation Fund [see Investor Compensation Fund document for further information].

The Manager may invest on Financial Instruments which may be based on unrated securities, which bears significant credit and exchange rate risk. While the Manager may attempt to hedge such risks, there can be no assurances that such hedging arrangements shall be available or that such hedging will be effective;

## 8. PRICES

The prices posted on the AFX Capital Markets Ltd. platform (the “**Platform**”) may not necessarily reflect the broader market. AFX Capital Markets Ltd. will select closing prices to be used in determining margin requirements and in periodically marking to market the positions in your account and closing out such positions. Although AFX Capital Markets Ltd. expects that these prices will be reasonably related to those available on what is known as the interbank market or any appropriate exchange or other financial market (the “**Reference Market**”), prices AFX Capital Markets Ltd. uses may vary from those available to banks and other participants in the Reference Market. Consequently, AFX Capital Markets Ltd. may exercise considerable discretion in setting margin requirements and collecting margin funds. As the products are in part related to the underlying you should ensure you are aware of the risks involved in the underlying including currency fluctuation, volatility and gapping [a sudden price shift which can be caused by many factors including but not exclusively, economic events, market announcements and periods where trading in the underlying does not take place].

A non-guaranteed stop will not protect you against this risk as it is not immediate and only triggers an order to close the position at the nearest available price.

## 9. WEEKEND RISK

Various situations, developments or events may arise over a weekend when the markets generally close for trading, that may cause the markets to open at a significantly different price from where they closed on Friday afternoon. You will not be able to use the Platform to place or change orders over the weekend and at other times when the markets are generally closed. There is a substantial risk that stop-loss orders left to protect open positions held over the weekend will be executed at levels significantly worse than their specified price. When doing this a client accepts this risk and that they will be

liable for any resulting deficit.

## 10. ELECTRONIC TRADING

Trading in OTC contracts through the Platform may differ from trading on other electronic trading systems as well as from trading in a conventional or open market. You will be exposed to risks associated with the electronic trading system including the failure of hardware and software and system down time, with respect to the Platform, your systems and the communications infrastructure (for example the internet) connecting the Platform with you.

Trading using an automated algorithm also exposes you to additional risks including but not exclusively relating to the reliability of the software, algorithm, checks and communication infrastructure.

## 11. INTRADAY TRADING

Online intraday automated algorithmic trading can lead you to make numerous transactions.

## 12. TRADING SUSPENSIONS

Under certain conditions it may be difficult or impossible for Account Managers to liquidate a position. This can occur, for example, at times of rapid price movement where the price for an underlying rises or falls during one trading session to such an extent that trading in the underlying is restricted or suspended. Where this occurs the client accepts any associated risk and that they will be liable for any resulting deficit. The client should also be aware that under certain circumstances AFX Capital Markets Ltd. may be required to close positions due to regulatory or exchange instructions and as such AFX Capital Markets Ltd. is not responsible for any losses that may result.

## 13. COMMISSIONS

Before you provide permission to us to trade on your behalf, you should obtain details of all commissions and other charges for which you will be liable. Clients should make themselves aware of potential costs or liabilities that could ensue from that position including but not exclusively: Swaps, Corporate Actions such as Rights Issues, Dividends, Stock

Splitsetc.

## 14. INSOLVENCY

Any client insolvency or default may lead to positions being liquidated or closed out without your consent. This will represent an amount necessary to secure your present or future, actual or contingent liabilities to AFX Capital Markets Ltd. including margin requirements. AFX Capital Markets Ltd. will determine the amount of money required to secure your obligations to AFX Capital Markets Ltd. in its sole discretion on a daily basis (based on your daily open positions and trading, taking account of market conditions), which amount may be greater than the margin requirements. You will have no proprietary claim over this amount of money which will not be subject to segregation or other duties pursuant to client money rules in force from time to time under applicable law and may be dealt with by AFX Capital Markets Ltd. on its own account. Such amount of money may therefore be irrecoverable in the event of an insolvency or default of AFX Capital Markets Ltd.

In cases of insolvency or an act or omission of a third party holding part or all of the Assets on behalf of the Manager, Client Funds may not be fully protected and AFX accepts no liability for this;

## 15. COMMUNICATION

AFX Capital Markets Ltd. accepts no responsibility for any losses that arise as a result of delayed or unreceived communication sent to a client from us by any form.

## 16. ADVICE

AFX when trading as Quantic will carry out an investment suitability questionnaire to ensure the investment meets your risk appetite and goals. Please answer all questions truthfully as any results are based on the assumption that the information you provide is accurate. Clients should consider paying off debt such as credit card debt before carrying out speculative trading activities such as CFD and FX trading. .

## 17. CORPORATE ACTIONS: SHARE CFDS

Please note that the treatment you receive during a corporate action may be less favourable than if you owned the underlying instrument because changes we make may need to be made reactionary and in place prior to that required by the corporate action. Therefore the time you have to make decisions could be considerably less; the options available may be more restrictive/less advantageous and may be such that there is no option for you to close the position. Given that corporate events can often be announced at extremely short notice you may have no opportunity or choice to close positions out to avoid such consequences and such actions may require you to provide more funds to cover margin at very short notice.

## 18. GOING SHORT ON INDIVIDUAL SHARES

Going short on individual shares has additional risks that do not apply to the long position. This includes, but not exclusively, you will be obliged to take the other side of a purchase opportunity e.g. a rights issue resulting in you going further short at what could be unfavourable prices or paying a sum to buy back the rights the choice of which may be decided by AFX Capital Markets Ltd. without your input, on terms decided by AFX Capital Markets Ltd. or input being required at shorter notice than would be on the underlying share; you may experience forced buy-back due to corporate actions, stock borrowing conditions or regulatory requirements/changes, and you may experience variable borrowing charges whilst the position is open.

## 19. POSITION MONITORING

It is the clients' responsibility to monitor at all times the positions they have opened and you should always be in a position to do so. Whilst we will attempt to close positions once your margin has been used up, we cannot guarantee this will be possible and therefore you will remain liable for any resulting shortfall.

This document should be read in conjunction with: The order execution policy, the terms & conditions, the conflicts of interest policy and any other document supplied or otherwise made available to the client. The risks described herein do not constitute the entire list of risks the client undertakes pursuant to this Agreement and it is not exhaustive of all risk the Client is exposed to. The Client acknowledges that there may be other risk not mentioned herein that may affect the Assets.