RISK DISCLOSURE AND ACKNOWLEDGEMENT FOR TRADING IN REGULATED MARKETS

TeleTrade-DJ International Consulting Ltd

Introduction

TeleTrade-DJ International Consulting Ltd (hereinafter called “Company”) is an Investment Firm regulated by the Cyprus Securities and Exchange Commission with license №158/11. This notice is provided to all prospective clients in accordance with Markets in Financial Instruments Directive (MiFID) of the European Union and Investment Services and Regulated Markets Law of 2007 of Cyprus (Law 144(I)/2007).

All prospective Clients should read carefully the following risk warnings contained in this document. 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 (including securities and derivative financial instruments). The notice was designed to explain in general terms the nature of the risks involved when dealing in Financial Instruments via Direct Market Access on a fair and non-misleading basis. The purpose of the present document is to warn the Client about possible losses related to the conclusion of this type of transactions.

The Client should not engage in any investment directly or indirectly in Financial Instruments unless he knows and understands the risks involved for each one of the Financial Instruments. The Company will not provide the Client with any investment advice relating to investments or possible transactions in investments or in Financial Instruments or make investment recommendations of any kind. So, prior to applying for a trading account with the Company, or making an order the Client should consider carefully whether investing in a specific Financial Instrument is suitable for him in the light of his circumstances and financial resources. If the Client does not understand the risks involved he should seek advice and consultation from an independent financial advisor. If the Client still does not understand the risks involved in trading in any Financial Instruments, he should not be involved in trading under any circumstances.

The Client should acknowledge that he runs a great risk of incurring losses and damages as a result of the purchase and/or sale of any Financial Instrument via Direct Market Access interfaces provided by the Company, and accepts that he is willing to undertake this risk.

Acknowledgement of risks concerning investments in Financial Instruments

The Client shall fully understand:

- that investments made or other positions taken in Financial Instruments are at the Client's own risk;
- the need to carefully study Terms and Conditions for Trading in a Regulated Market;
- the need, in conjunction with trading in Financial Instruments, to scrutinize his trading statements and immediately submit complaints regarding any errors;
- the need to regularly monitor changes in the value of holdings and positions in Financial Instruments;
- the need to react by selling holdings if required in order to reduce the risk of losses on the Client’s own investments and/or to prevent Margin Calls.

TeleTrade cannot guarantee the future performance of the Client Account, promise any specific level of performance or promise that investment decisions, strategies or overall management of the Account by the Client will be successful. By the nature of the Services offered by the Company, the Client is granted Direct Market Access within the Trading Limits established by the Company. The Client thereby decides which Financial Instruments to buy or to sell at the exchange himself, and the Company's responsibility is limited to providing execution of Client's trades and keeping of Client's assets. The investment decisions made the Client are subject to various market, currency, economic, political and business risks, and will not necessarily be profitable.

The Client must know and appreciate that trading in Equity shares, derivatives contracts or other instruments traded on the Stock Exchange, which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/limited investment and/or trading experience and low risk tolerance. The Client should therefore carefully consider whether such trading is suitable in the light of their financial condition. In case the Client suffers adverse consequences or loss resulting from trading on Stock exchanges, the Client shall be solely responsible for the same and Stock exchanges/its Clearing Counterparties and/or TeleTrade shall not be responsible, in any manner whatsoever, for the same and it will not be open for the Client to take a plea that no adequate disclosure regarding the risks involved was made or that the Client were not explained the full risk involved by the Company. The Client shall be solely responsible for the consequences and no contract can be rescinded on that account. Client must acknowledge and accept that there can be no guarantee of profits or no exception from losses while executing orders for purchase and/or sale of a financial instrument being traded on Stock exchanges. No consideration to trade should be made without thoroughly understanding and reviewing the risks involved in such trading.

General risks affecting investments in Financial Instruments

Financial instruments normally provide a return in the form of a dividend (shares and fund units) or interest (interest-bearing instruments). In addition, the price of the instrument may increase or decrease compared to the price when the investment was made. Naturally, the investor is seeking a total return that is positive, i.e. a profit. However, there is also a risk that the total return will be negative, i.e. that the investor will make a loss on the investment. The risk of loss varies between different instruments.

Normally, the chance of making a profit on an investment in a financial instrument is linked to the risk of loss. The longer the investor intends to keep the investment, the greater the chance of making a profit or loss. There are various ways of investing in financial instruments in order to reduce the risk. It is normally better from a risk point of view to invest in several different financial instruments rather than a single one or only a few financial instruments. These instruments should have properties which mean the risk is spread and should not gather risks that may be triggered simultaneously. Trading in foreign financial instruments also involves a currency risk.

Investments in financial instruments are associated with an economic risk. The Client is personally responsible for this risk and must therefore become acquainted with the terms and conditions, prospectuses, etc, governing trading in such instruments and with the instruments' individual risks and characteristics. The Client must also regularly monitor his/her investments in such instruments. This is the case even if the Client has received personal advice in conjunction with the investment.

Reliable information for use in monitoring prices and thus the change in the value of the client's own investments may be obtained from the Trading Terminal provided by the Company as well as by information venues maintained or authorized by relevant Exchange. If necessary the client should, in his/her own interests, react swiftly, for example by selling investments that are developing negatively or by providing additional collateral in conjunction with investments financed through loans where the collateral value has fallen.

BASIC RISKS:

Market risk - a risk that whole markets can decline due to changes in economic environment, political landscape, government policies, fiscal and monetary programs, exchange rate changes etc, developments in substantial companies and industries, as well as external environments and also because of changes with investors' expectations. An investor can buy a stock of a company who see earnings and financial position are good, only to have its market price drop because overall market sentiment has turned negative. The stock or bond markets as a whole can be influenced by an unexpected bad economic report or non-economic developments.

Liquidity risk. A security is considered liquid by the extent to which it is possible for the investor to sell it at any time at fair market value. This risk may materialize when quick sale of securities and/or derivatives if necessary in order to close opened positions. Sale of liquid securities may not cause noticeable price fluctuations irrespective of the volume. Narrow and illiquid markets can make it difficult to buy or sell securities.

Company-specific risk is the risk that a company does worse than expected or that the company is affected by a negative incident so that the financial instruments which are linked to the company may fall in value and leads to reduced or even complete loss of liquidity.

Industry-specific risk is the risk that a specific industry does worse than expected or is affected by a negative incident so that the financial instruments which are linked to the companies in the industry in question may fall in value.

Credit risk – means a risk of loss as a result of the nonperformance or/and undue performance of obligations by counterparties under the contracts concluded by the Client. Such defaults could result in losses to an investor. In addition, the credit quality of securities held by the investor may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security, affect liquidity and make it difficult for the investor to sell the security.

Currency risk. Investors are exposed to currency risk when they hold securities denominated in a foreign currency and the underlying exchange rate depreciates. The profit or loss in transactions in foreign currency-denominated contracts, whether they are traded in your own or another jurisdiction, will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency. Generally, when the value of the euro rises in value relative to a foreign currency, an investment in that country loses value because that currency is worth fewer euros. Devaluation of a currency by a country's government or banking authority also may have a significant impact on the value of any investments denominated in that currency

Tax risk – means a risk concerning with complexity of tax laws of the different countries applicable to the Client, the Company and the place where transactions are executed. The Client understands that, depending on his Tax residency, different tax arrangements may apply based given that the Company's tax residence is Cyprus, and the place of transactions execution would be that of the applicable Exchange. Therefore the Client shall consider tax consequences of investments. Changes in law may lead to changes in the tax treatment of capital gains and income from securities, in terms of both the amount and nature of taxes. It is possible that the current interpretation of tax laws or understanding of practice may change, and such changing may have retrospective effect. Double taxation treaties between countries can have positive effects on the capital market prices.

Legal risk is the risk that relevant legislation and rules are unclear or may be amended. It is to be understood by the Client that in emerging markets there is generally less government supervision and regulation of business and industry practices, stock exchanges, OTC markets, brokers, dealers and issuers than in more established markets. In certain areas, the laws and regulations governing investments in securities and other assets may not exist or may be subject to inconsistent or arbitrary interpretation.

Inflation Risk is the risk that the investor will suffer a financial loss as a result of a fall in the value of money (i.e. inflation).

Volatility Risk is the risk that major fluctuations in the price of a financial instrument will have a negative effect on the investment. The higher the volatility of a security, the more extreme is the upward and downward price movements.

Interest-rate risk is the risk that the financial instrument in which the client invests falls in value due to changes in the market interest rate.

Political Risk is the risk associated with changes in the political environment. Political events may have an impact on the world's capital and foreign exchange markets and create political instability. Examples of such events include changes in the political structure, social unrest, coups, wars and national tensions.

Risk of News Announcements. News announcements that may impact the price of security/derivatives contract may occur during trading, and when combined with lower liquidity and higher volatility, may suddenly cause an unexpected positive or negative movement in the price of the security/contract.

Specific risks related to Financial Instruments available for Company's Clients

EQUITIES

- **Price volatility.** Share values can be volatile and can fall dramatically in price, even to zero.
- **Credit risk.** Owners of ordinary shares are generally the last in the line of creditors if the issuer fails and there may be no chance of getting any money back.
- **Sleep at night factor.** While daily fluctuations in price are to be expected, investors can often feel a degree of stress from short term volatility and bear market conditions.
- **Unexpected events.** Unexpected events which are outside of investor's control, such as company specific bad news, a change in government policy or natural or man-made disaster can seriously affect share prices.
- **Lack of knowledge.** Investor's lack of knowledge as a new investor may be considered a risk initially.

ETFs

- **Trading price of units or shares can vary.** Units or shares may trade in the market at a premium or discount to their net asset value because of market supply and demand. The premiums and discounts for specific ETFs vary, depending on the type of the ETF and time period.
- **Concentration can lead to volatility.** If an ETF is heavily invested in only a few investments or types of investments, it may be more volatile over short periods of time than a more broadly diversified ETF.
- **There may not be an active market.** Although an ETF may be listed on an exchange, there is no guarantee that investors will buy its units or shares, so it may be challenging to sell ETF at any time on investor's volition. An active market may not develop or be sustained for the ETF.
- **Lack of benchmark.** Active ETFs, for example, may not be designed to track an index so it's hard to compare performance over time.

DERIVATIVES

- **Common derivative risks**
    - **Leverage/gearing effect risk.** In the derivatives market, trading is done on the margin, and the amount of margin is small relative to the value of the derivatives contract so the transactions are 'leveraged' or 'geared'. Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the margin amount. But transactions in derivatives carry a high degree of risk because a change in the price of the underlying asset could have a major negative effect on the price of the derivative instrument, and may result in increased margin requirement for the Client, and, potentially, a Margin Call and/or forced liquidation of Client's position.
    - **Liquidity risk.** Under certain market conditions, transactions in derivatives may be difficult or impossible to execute due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers as warranted by applicable Exchange regulations.
    - **Unexpected changes in margin requirements.** In order to maintain market stability, the Exchanges may adopt changes in the margin rate or increases in the cash margin rate on certain Financial instruments, as stipulated by their Rules and Conditions. Such measures may be applied to the Client's existing open positions. In such conditions, the Client may be required to put up additional margins or

reduce your positions even though the Financial Instrument has not moved against the Client's position.

- **Complexity Risk**. Transactions that involve buying and writing multiple Financial Instrument, especially derivatives, in combination, such as buying or writing options in combination with buying or selling short the underlying, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. It should understood by the Client that a complexity that is not well understood is, in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable to obtain good knowledge with respect to the risks and potential rewards of combination transactions under various market circumstances.

- **Options**
  - **Price fluctuations.** Volatility may be greater for the option than its underlying asset. The Exchanges may also impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.
  - **The buyer of the option can lose all of the premium paid.** Options as assets that becomes worthless when expire. An option holder who neither sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires, to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of his investment in the option.
  - **The seller of an option may run the risk of unlimited loss**. Risks of option writers may be reduced by the purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position.
- **Futures**
  - **Risk of daily settlement.** In general, the economic risk in a future is the same as for underlying asset. However, futures trading involve daily settlement of all positions. Every day the open positions are marked to market based on the closing level of the index / derivatives contract. If the contract has moved against the Client's position, the Client will be required to deposit the amount of loss (notional) resulting from such movement. This amount will have to be paid within a time frame stipulated by Terms and Conditions. If a client fails to deposit the additional amount by the deadline or if an outstanding debt occurs in Client's account, the Company may liquidate a part of or the whole position or substitute securities. In this case, the Client will be liable for any losses incurred due to such close-outs.
  - **Market risk.** The difference between the price of a future and the price of underlying equity depends on the interest rate and expected dividends during the future's life.

Risk-reducing orders and their limitations

Clients can place risk-reducing orders (e.g., "stop loss” orders, or "limit" orders) to control losses to a certain extent and act as safety triggers. Clients should understand, however, that in the environment of rapid movements in market conditions such orders could turn out impossible to execute. The Client should understand the following benefits and limitations of risk-reducing orders:

- a "market" order will be executed promptly, subject to availability of orders on opposite side, without regard to price, therefore, while the Client may receive a prompt execution of the order, the execution will take place at available prices of outstanding orders, which satisfy the order quantity, on price time priority. Such prices may be significantly different from the last traded price or the best price in that security/derivatives contract.
- A "limit" order will be executed only at the "limit" price specified for the order or a better price. However, while the Client receives price protection, there is a possibility that the order may not be executed at all.
- A “stop loss” order is generally placed "away" from the current price of a Financial Instrument to get activated if and when this, or another Financial Instrument, reaches, or trades through, the stop price. There is no assurance, however, that the order will be executable upon activation, since a Financial Instrument might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises, just as with a regular limit order.

DMA/Execution Risks

By the nature of provided services, the Trading Platform provided by the Company permits Clients to directly access the marketplace in Financial Instruments by entering their orders directly into the Market via the Exchange’s order book. The major risks associated with transacting through the Direct Market Access are:

- **Technology risks** – Trading on exchanges in electronic mode relies on combination of technologies and computer systems to place and route orders. There exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch (resulting from failures of equipment, unintentional disconnection from the exchange network, defects of IT software, power supply service etc) that may delay execution process and create uncertainty about the status of working orders or hinder transmission of orders and/or on entering into contracts and obtaining information about prices. The Client is cautioned to note that although these problems may be temporary in nature, they may affect the Client’s outstanding open positions or unexecuted orders when the timing is critical for execution or withdrawal/closing of the latter, which represents a risk of incurring a financial loss or foregone profit.
- **Market System risk** – means a risk of loss infliction to the Client as consequence of the negatively changes in system of financial market operation and organization, such as overloading due to high volume of trading or high volatility of prices, or halting / suspension of trading.
- **Possibility of erroneous transactions** – risk of losses stemming from orders placed by Clients in error. While pre-trade screening software embedded into the Trading Platform

will filter out orders placed away from the market or orders being out of line with the rules of the Exchange or in excess of Client's trading limits, this screening will not check the intuition and economic reasoning behind the Client's orders, therefore erroneously inputted transactions that satisfy the rules of the Exchange and are within the Client's limits will be submitted for execution, and could be executed before the Client detects and corrects the error.

- **Execution uncertainty** - uncertainty of whether any trades will be made on the specified prices posted by the Clients via limit orders in the Exchange's order book.

Safekeeping Risks

The Client acknowledges that the Company may transfer assets received from the Client and maintain them with properly authorized professional third parties (Custodians) to hold or control such assets in order to effect transactions as required the course of reception and execution of Client's orders and recording of current transactions/orders on the Clients account. The Company will exercise due care and judgment to select, for such purposes, such Custodians that possess financial stability and ability to withstand operational losses, and maintain good reputation and regulatory standing. However, the Client should understand that the Company ultimately has no responsibility for any acts or omissions of any third party to whom the Company passes assets received from the Client, and the former constitute Safekeeping Risks inherent in the course of the Client's activities under the Operational Agreement. There are the following dimensions to the Safekeeping Risks:

- **Securities Risk** - the risk that, in the event of default by the Custodian, providing safekeeping services for the Client's securities, such securities could be treated as being part of the assets of the party which has gone into default, and therefore available to its creditors, rather than belonging to clients. A third party may hold Client's assets passed by the Company in an omnibus account and it may not be possible to separate it from the third party's assets. In the event of the insolvency or any other analogous proceedings in relation to the Custodian, the Company will only have an unsecured claim against the third party on behalf of the Client and other clients, and the Client will be exposed to the risk that Assets received by the Company from the third party is insufficient to satisfy the claims of the Client and all other clients with claims in respect of the relevant account.
- **Country risk** – since Client's assets will typically be deployed within the same countries where respective Exchanges operate, which may be foreign with respect to the Client, there's a risk connected with holding assets subject to economic, fiscal, legal changes or gaps in supervisory coverage that may not be sufficiently familiar to the Client. With regard to the foreign Custody, the securities are subject to the laws and market practices of the respective country where they are held.
- **Systemic Risk** – risk that the Custodian may not be able to meet its obligations when due because of failure of other institutions to meet their obligations and a resulting chain reaction;
- **Transfer Risk** – since Client's assets will typically be deployed in currencies used by respective Exchanges for quotation and trading, there could be a risk that changes in currency controls could prevent timely and efficient conversion of local into foreign currencies and repatriation of the proceeds.