VARIANSE

ELECTRONIC TRADING. **ELEVATED**

VARIANSE | ELECTRONIC TRADING. **ELEVATED** **Risk Disclosure**

Risks of Trading in Financial and commodity instruments and products such as Currency (FX), CFDs, OTC Spot and Forward Contracts, Futures and Options Contracts and Other Derivatives Instruments

Trading financial and commodity instruments and products such as Currency (FX), CFDs, OTC Spot and Forward Contracts, Futures and Options Contracts and Other Derivatives Instruments may not be suitable for all investors. You may lose a substantial amount of money in a very short period of time. The amount you may lose is potentially unlimited and can exceed the amount you originally deposit with your broker. This is because trading in instruments referred in this agreement are highly leveraged; with a relatively small amount of money you may establish a position in assets having much greater value. If you are uncomfortable with this kind of risk, you should not trade in these instruments. Please refer below various risks involved in trading these instruments.

RISKS

1. **Trading leveraged products like spot currency CFDs, futures, options contracts & other derivatives instruments involve risk and may result in potentially unlimited losses that are greater than the amount you deposited with your broker.**

   As with any high risk financial product, you should not risk any funds that you cannot afford to lose, such as your retirement savings, medical and other emergency funds, funds set aside for purposes such as education or home ownership, proceeds from student loans or mortgages, or funds required to meet your living expenses.

2. **Be cautious of claims that you can make large profits from trading Currency (FX), CFDs & other derivatives instruments**

   Although the high degree of leverage in financial and commodity instruments and products such as Currency (FX), CFDs, OTC Spot and Forward Contracts, Futures and Options Contracts and Other Derivatives Instruments can result in large and immediate gains, it can also result in large and immediate losses. As with any financial product, there is no such thing as a “sure winner.”

3. **Because of the leverage involved and the nature of Currency (FX), CFDs & other derivatives instruments, you may feel the effects of your losses immediately.**

   Trading gains and losses in financial and commodity instruments and products such as Currency (FX), CFDs, OTC Spot and Forward Contracts, Futures and Options Contracts and Other Derivatives Instruments are credited or debited to your account, on a daily basis. The adverse (opposite) movements in the markets in relation to your open positions may substantially erode the value of your account means may cause losses and you may be required to make additional funds available as margin to carry your positions. If your account position (funds/equity available in your account) falls below the minimum margin requirements set by the VDX Derivatives, your position may be liquidated at a loss, and you will be liable for the deficit, if any, in your account. Margin requirements have also been addressed in Point No 9 of the Client Agreement and Point No. 16 of this Risk Disclosure.

4. **Under certain market conditions, it may be difficult or impossible to liquidate a position.**

   Generally, you must enter into an offsetting transaction in order to liquidate a position in financial and commodity instruments and products such as Currency (FX), CFDs, OTC Spot and Forward Contracts, Futures and Options Contracts and Other Derivatives Instruments you are trading. If you cannot liquidate your position you may not be able to realize a gain in the value of your position or prevent losses from mounting. This inability to liquidate your positions could occur for various reasons, e.g. trading is halted due to unusual trading activity in the said contracts/instruments, the market has become illiquid due to recent news and events, systems failures occurred at VDX Derivatives or on an exchange or at the firm carrying your position;. Even if you are able to liquidate your position, you may be forced to do so at a price that involves a large loss.

5. You may experience pricing disparities

Under certain market conditions, the prices of various financial and commodity instruments and products such as Currency (FX), CFDs, OTC Spot and Forward Contracts, Futures and Options Contracts and Other Derivatives Instruments could go through disparities due to unusual market developments, socio political events, news, and periodic economic data releases. These events and subsequent disparity in prices can adversely impact your open positions, margin may get revised, and spreads may increase and ultimately may erode account equity.

6. You may experience losses due to systems failures.

As with any financial transaction, you may experience losses if your orders cannot be executed normally due to failure of systems, failure of internet service provider, slowdown in connectivity at your end, systems failures on a regulated exchange or at the brokerage firm carrying your position. Your losses may be greater if the brokerage firm carrying your position does not have adequate backup systems or procedures.

7. All financial and commodity instruments and products such as Currency (FX), CFDs, OTC Spot and Forward Contracts, Futures and Options Contracts and Other Derivatives Instruments involve risk, and there is no trading strategy that can eliminate it.

Trading strategies using combinations of positions, such as spreads, may be as risky as outright long or short positional or directional trades.

Short-term and intraday trading strategies pose special risks such as substantial commission because of higher frequency of trades and limited market movements, lack of clarity on the direction of market movement etc. Traders should thoroughly understand these risks and have appropriate experience before engaging in day trading. The risks associated with day traders have also been discussed in Point No 18 of the Risk Disclosure. In short, leveraged products pose substantial risks of losses and margin call.

Trading financial and commodity instruments and products such as Spot Currency and other Spot Contracts, CFDs, OTC Spot and Forward Contracts, Futures and Options Contracts and Other Derivatives Instruments require knowledge, deep understanding of respective markets, instruments, impact of change in economy and experience.

8. Placing contingent orders, if permitted, such as "stop-loss" or "stop-limit" orders, will not necessarily limit your losses to the intended amount.

Some trading systems, markets and regulated exchanges may permit you to enter into stop-loss or stop-limit orders, which are intended to limit your exposure to losses due to market fluctuations. However, at times market conditions may make it impossible to execute the order or to get the stop price.

9. You should thoroughly read and understand this Agreement with VDX Derivatives before entering into any transactions

VDX Derivatives allows customers to choose from different types of accounts. Each account has different implications and features. Customers should thoroughly understand the difference between various accounts and limitations of each type and associated benefits. Firms may also offer different contract sizes for the same instruments. For e.g. EUR/USD may have mini and regular contracts. Trading in these contracts will have different margin requirements and also different risk -return profile. Mini contracts will have lesser margin requirement; actual risk and return may get reduced but not the proportionate risk and return.

10. Commissions and Other Charges

Before you begin to trade, you should obtain a clear explanation of all commission, fees, mark-ups, markdowns, rollovers, interest rate differential, overnight swaps and other charges for which you might be liable. These charges will affect your net profit (if any) or increase your loss.

11. Transactions in other jurisdictions

Transactions on currencies of other countries in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade you should inquire about any local, domestic rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected.

12. Currency Risks

The profit and 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.

13. Trading Facilities

The Off Exchange, OTC products and financial instruments e.g. Currency (FX) & Commodities, CFDs and Forward contracts are not traded on a regulated market. Even though quotations or prices are afforded by many computer-based component systems, the quotations and prices may vary due to market liquidity. Many electronic trading facilities are supported by computer-based component systems for the order-routing, execution or matching of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system providers, internet service providers, the markets, the banks and/or financial institutions. Such limits may vary. You should carefully read, understand and evaluate the limitations imposed by the account opening document, agreement and risk disclosure documents of VDX Derivatives with which you deal. CFDs and foreign exchange/currency, other OTC spot products/instruments and forward contracts trading with VDX Derivatives are not conducted/traded on any futures, commodity or stock exchange and are therefore not subject to the rules of any such exchange.

14. Type of Investments/Products

The customer hereby agrees they have understood the nature of risks involved in the different types of financial and commodity instruments and products such as Currency (FX), CFDs, OTC Spot and Forward Contracts, Futures and Options Contracts and Other Derivatives Instruments offered by VDX Derivatives and/or introducing brokers and/or white label partners.

16. Off-Exchange Transactions

In OTC market Currency (FX)/Commodities, CFDs and Forward contracts firms are not restricted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules and attendant risks.

17. Margin and Leverage

When a broker allows a customer to purchase or sale a leveraged product or instrument or contract such as spot currency/commodity, CFD, forward, future or any other type of derivative, the term "margin" or “premium” (in case of option) refers to the amount of cash, or down payment, the customer is required to deposit in advance with the broker. Such buy or sale open position is subject to daily mark-to-market and there is potential for a profit or loss as a result of the daily mark-to-market process. Therefore, an advance performance guarantee deposit referred as margin deposit is required from each party to a contract. Thus, margin deposit is also referred as a "performance bond." Such margin requirements for various instruments/contracts are defined and set by the broker, market maker in case of OTC /off exchange markets and defined by relevant exchanges and set by the brokers in case of exchange traded instruments/contracts. The margin deposit required in advance before the initiation of the trade (buy/sale) is called initial margin or just margin. The margin requirements for various contracts/instruments may vary. When the initial margin is not enough to carry the existing/open position because of the mark - to-market losses that means the margin amount dips below the initial margin level the customers need to deposit additional fund/margin; such additional fund/margin requirement is known as "margin call/maintenance margin". Therefore, initial margin/margin is required in advance to initiate a trade and margin call/maintenance margin is required to maintain the initiated trade. Mark-to market is also subject to intraday process. Both buyer and seller must individually deposit the required margin to their respective accounts in advance and ensure that the account is adequately funded at all the time to take care of mark-to-market losses.

In case of the margin shortfall it is completely broker’s prerogative to square off/close all the trades or part of the trades of the respective customers.

It is important to understand that individual brokerage firms can, and in many cases do, require margin that is higher than margin requirement set. Additionally, margin requirements may vary from brokerage to brokerage. Furthermore, a broker can increase its "house" margin requirements at any time without providing advance notice, and such increases could result in a margin call. For example, some firms may require margin to be deposited the business day following the day of a deficiency, or some firms may even require deposit on the same day. Some firms may require margin to be on deposit in the account before they will accept an order for a security futures contract. Additionally, brokerage firms may have special requirements as to how margin calls are to be met, such as requiring a wire transfer from a bank, or deposit of a certified or cashier's check. You should thoroughly read and understand the customer agreement with your brokerage firm before entering into any transactions in security futures contracts.

If through the daily cash settlement process (post mark-to-market), losses in the account of a customer reduce the funds on deposit (or equity) below the maintenance margin level (or the firm's higher "house" requirement), the brokerage firm will require that additional funds be deposited. If additional margin is not deposited in accordance with the firm's policies, the firm can liquidate your position or sell assets in any of your accounts at the firm to cover the margin deficiency. You remain responsible for any shortfall in the account after such liquidations or sales. Unless provided otherwise in your customer agreement or by applicable law, you are not entitled to choose which trade or open position or futures contracts or securities or assets are liquidated or sold to meet a margin call or to obtain an extension of time to meet a margin call. Brokerage firms generally reserve the right to liquidate a customer's contract positions or sell customer assets to meet a margin call at any time without contacting the customer. Brokerage firms may also enter into equivalent but opposite positions for your account in order to manage the risk created by a margin call.

Some customers mistakenly believe that a firm is required to contact them for a margin call to be valid, and that the firm is not allowed to liquidate open positions or trades or securities or assets in their accounts to meet a margin call unless the firm has contacted them first. This is not the case. While most firms notify their customers of margin calls and allow some time for deposit of additional margin, but some highly leveraged markets and at times the market situations do not allow them to do so and therefore firms/brokerages intimate customers of margin shortfall as an extended service but they are not required to do so. Customers need to closely monitor their trades/open positions, account and margin balance. Even if a firm has notified a customer of a margin call and set a specific time limit for a margin deposit, the firm can still take action as necessary to protect its financial interests, including the immediate liquidation of positions without any further notification to the customer.

VDX Derivatives requires its customers to deposit Initial Margin as determined by the company in advance, means the account of a customer should have clear balance before a trade is initiated. VDX Derivatives further requires its customers to closely monitor their trades, open positions, account and margin balance. Customers should keep their account adequately funded as explained above to take care of daily mark-to-market or even intraday and also to take care of any increased/additional margin call because of sudden change in market, situation and volatility. VDX Derivatives does not allow accounts to be on a margin call at any time. In case of short fall in margin VDX Derivatives in its' sole discretion can liquidate clients, positions or take such other measure as deemed fit without any further notification. (Also refer to Point no 9 of the Client Agreement – Margins).

18. Risks for Day Traders:

Certain traders who pursue a day trading strategy may seek to use financial and commodity instruments and products such as Currency (FX), CFDs, OTC Spot and Forward Contracts, Futures and Options Contracts and Other Derivatives Instruments as part of their trading activity. Traders engaging in a day trading strategy face a number of risks. Day trading in these instruments requires in-depth knowledge of the currency markets and of trading techniques and strategies. In attempting to profit through day trading, you will compete with professional traders who are knowledgeable and sophisticated in these markets. You should have appropriate experience before engaging in day trading. Day trading in currency, CFD & other derivatives instruments can result in substantial spread pay, even if there are no commission charges. The more trades you make, the higher your total cost will be. The total cost you pay will add to your losses and reduce your profits. Day trading can be extremely risky. Day trading generally is not appropriate for someone of limited resources and limited investment or trading experience and low risk tolerance. You should be prepared to lose all of the funds that you use for day trading. In particular, you should not fund day trading activities with funds that you cannot afford to lose.

19. Delivery of Statements Electronically

Customers can view live status of the account any time using online trading platform which comprises the record of all the transactions, deposits, withdrawals and adjustments from the day of the account opening and it is the most current and suitable way to access the statements of their trading activities as per their desired periods of time. Any additional statements will continue to be sent to all customers via email only upon customer's request. You acknowledge your statement is deemed received when made available to you by VDX Derivatives on the trading platform regardless of whether you actually accessed the statement. You also acknowledge that you are responsible for alerting VDX Derivatives to any change in your email address and completing a new consent form with the new information.

DISCLAIMERS

(a) Internet and System failures: Since VDX Derivatives does not control signal power, its reception or routing via Internet, configuration of your equipment or reliability of its connection, we cannot be responsible for communication failures, distortions, delays, when you trade online (via Internet). Furthermore, any losses or foregone profits in Trader's account are the responsibility of the Trader and not VDX Derivatives, when software, hardware, or other system failures or errors contribute to such losses or foregone profits.

(b) Market risks and online trading: Trading financial and commodity instruments and products such as Currency (FX), CFDs, OTC Spot and Forward Contracts, Futures and Options Contracts and Other Derivatives Instruments involve substantial risk that is not being suitable for everyone. Please refer this entire Agreement and various parts of it for more detailed description of risks. Trading online, no matter how convenient or efficient, does not necessarily reduce risks associated with these products and instruments.

(c) Password protection: The Trader is obligated to keep passwords secret and ensure that third parties do not obtain access to the trading facilities. The Trader will be liable to VDX Derivatives for trades executed by means of the Trader's password even if such use may be wrongful.

(d) Quoting errors: Should quoting errors occur due to a dealer's mistype of a quote, errors in an automatic price feed, or an erroneous price quote from a dealer, such as but not limited to a wrong big figure quote VDX Derivatives will not be liable for the resulting errors in account balances. VDX Derivatives reserves the right to make the necessary corrections or adjustments on the account involved. Any dispute arising from such quoting errors will be resolved on a basis of a fair market value of a currency or CFD at the time such an error occurred.

ACKNOWLEDGEMENT OF RECEIPT OF RISK DISCLOSURE

CUSTOMER ACKNOWLEDGEMENT

Please ensure that you have read the above Risk Disclosure notice carefully. By completing the Application Form or ticking the relevant "I agree" box online, or by using our services as set out in the Client Agreement, you acknowledge that you have read, understood and agree to this Risk Disclosure Notice.