SaracenMarkets

# Risk Disclosure Notice


**Saracen Markets Limited**

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This Risk and Disclosure Notice (the "Notice") informs you about risks associated with trading in the Financial Derivatives, which you may invest in through the services offered by SaracenMarkets Companies, including without limitation Saracen Markets Limited is incorporated in Mauritius as an International Business Company with the registration number 213087 GBC.

Individually or in any combination referred to in this Notice as "SaracenMarkets", "we", "our" or "us".

This Notice serves only as a general guide to the risks involved in trading the Financial Derivatives and it does not disclose all the risks and other significant aspects of such trading. It is intended as a supplement to all other risk disclosure documents provided to you during the account opening process. This Notice shall form part of the Customer Agreement), which shall govern your relationship with us. Capitalised terms not defined in this Notice shall have the definition given to them in the Terms.

All investments are subject to risk and the degree of risk is a matter of judgement and cannot be accurately pre-determined.

Trading in Financial Derivatives may not be suitable for all investors. Most retail investor accounts lose money when trading Financial Derivatives with us. You should only speculate with money you can afford to lose. You must determine if the risks involved are appropriate for your investment strategy considering your experience, objectives, financial resources, and other relevant circumstances. You should undertake any Transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your risk exposure. If you do not fully understand the risks involved, we suggest that you seek independent advice.

Nothing on our Website, emails or any other form of communication or advertisement is intended to be a recommendation or an offer to buy or sell in any Financial Derivatives markets. No representation, implicit or explicit, has been made that any account will or is likely to, realize any profit or loss. The past performance of any Financial Derivative is not indicative of future results, and the value of any Financial Derivative can go down as well as up. When you invest in a Financial Derivative, you do not acquire any rights in the Underlying Asset.

This Risk Disclosure Notice describes the most common risks, but due to the nature of the activities undertaken at the financial market, other risks may arise that are not foreseen by this Notice.

## 1. No Advice

We may, from time to time and at our sole discretion, provide you (via the Website or otherwise) with information, news, market commentary or other information but not as part of our Services to you as our client. We will not be responsible for, and give no representation, warranty, or guarantee as to the accuracy, correctness, or completeness of, such information or as to the tax or legal consequences of any Transaction. Market commentary, news or other information made available to you are subject to change and may be withdrawn at any time without notice.

We do not provide you with any investment, legal, regulatory, tax, accounting or other form of advice or recommendation. Any decision to invest in a Financial Derivatives market shall be your responsibility. If you are unsure about the legal, regulatory, tax, accounting, or any other implications of investing in Financial Derivatives please seek independent professional advice.

## 2. Appropriateness

Trading in Financial Derivatives requires more knowledge and experience than trading the traditional financial instruments and may not be suitable for everyone. We assume that you have enough knowledge and experience to transact in the leveraged products.

When you apply for setting up an Account, we ask you about your financial assets and earnings. We do not check the information you provide to us for consistency with the number of funds you send to your Account. It is entirely your responsibility to assess whether the Financial Derivatives you invest in are suitable for you and are adequate to your risk appetite.

## 3. Leverage and Gearing

Before you will be permitted to open a Transaction you need to deposit with us the amount of Margin in your Account that we consider appropriate. Once a position has been opened you may be required to post additional amounts with us during the term of the trade.

Usually, the initial Margin is only a small percentage of the total value of a Financial Derivative trade so that Transactions are 'leveraged' or 'geared'. As the movement of the Underlying Asset determines the financial outcome of the trade, your profit or loss can substantially exceed your initial deposit very rapidly. The level of the initial Margin required by us does not indicate or in any way limit your potential losses. You may sustain a total loss of initial margin funds and any additional funds deposited with us to maintain your position.

Subject to the change of Margin requirements by our Liquidity Providers we may change the Margin rates at short notice, in which case you will have to deposit additional funds to your Account. Failure to do so will result in the automatic closure of your positions.

It is important to monitor your positions because, because of gearing, even a small market movement can lead to a proportionally larger change in the value of your investment and therefore magnify your profits or losses.

## 4. Liability

You may lose substantially more on one position than you have deposited in Margin. Any market losses exceeding the amount of Margin lodged by you will be taken from your cash balance available on your Account. Losses exceeding the cash balance will cause the automatic closeout of some or all your outstanding Transactions. SaracenMarkets bears no responsibility for losses sustained or profits missed on trades closed in this manner. If after closing out all Transactions your cash balance is still negative, you will be liable to cover that shortfall to us. If you fail to comply with a request for additional funds, we may, subject to the Agreement, cancel any or all outstanding Orders and offset any or all open positions in your Account. In such circumstances, you would be liable to us for any deficiency or debit balance that might result.

## 5. Margin Liquidation Fees

From time to time you may be called upon to deposit substantial additional margin, at short or no notice, to keep your Transaction open. If you do not provide such additional funds within the time required, your Transaction may be closed at a loss and you will be liable for any resulting deficit.

## 6. Limiting your Risk

Stop Loss, Limit and OCO Orders are not guaranteed. Hence, although they are intended to limit losses to a certain amount, they may not be effective because market conditions may make it impossible for us to execute such Orders. At times, it is also difficult or impossible for us to liquidate a position without incurring substantial losses.

The execution of Stop Loss and Limit Orders is subject to market conditions. Every time the market prices change, we will check to see if any Stop Loss or Limit Orders have been breached. If they have, your Orders will be filled at the prevailing price, not necessarily the exact level of the Stop Loss or Limit Order. This means that Limit Orders can be filled at levels disadvantageous to the Client and Stop Loss can be filled at worse levels than expected.

This is possible because markets do not move smoothly. At times they can 'gap' (suddenly shift) from one price to another. Gapping may occur because of major market news or economic events, both when the market is open and when it is closed. If the factors leading to gapping occur, when the market is closed, it may reopen with prices markedly different from the closing levels. It may not always be possible for you to place an Order between two different price levels or for the Trading Platform to execute an Order at a price between these levels.

The system, communications, and other delays can further exacerbate this risk.

You are responsible for monitoring and always funding your position to avoid potential closeouts and the resulting losses. You may not rely on us or the Trading Platform's functionality as a risk management tool.

## 7. Currency

If your Transactions are nominated in a currency other than your Account Currency, your profits and losses will be affected by the foreign exchange fluctuations.

## 8. Counterparty Risk

Your positions may be liquidated without your consent due to the insolvency or default of any Liquidity Provider involved in your Transactions. You may not be able to get back all, or any part of, your investments. Similarly, you may lose your money in the event of insolvency of the bank, where we or our Liquidity Providers deposit the client funds.

## 9. Overseas Markets

Trades on markets in various jurisdictions may expose you to additional risks and costs. Please seek further advice and information on these risks before trading in particular markets.

## 10. Regulatory and Legal Risk

Your trading may be affected by changes in laws and regulations in the underlying markets. Particularly, such changes may increase the Transaction costs and thus reduce the attractiveness of your investments.

## 11. Force-Majeure

At times, Abnormal Market Conditions and other Force-Majeure Events may make trading Financial Derivatives riskier. You may not always be able to close your position on the same terms as when you opened it, to liquidate it, to assess its value or even to assess your risk exposure.

If a Force-Majeure Event occurs, your position may be closed at the prevailing market price or may be unable to be managed for some time. You may suffer losses because of a Force-Majeure Event and we will not be liable to compensate for such losses.

## 12. Electronic Trading

Trading through an electronic trading software or order routing system exposes you to risks associated with system or component failure, it is possible that for a certain period, you may not be able to enter new orders, execute existing Orders on the given terms or execute them at all, or modify or cancel orders that were previously entered. System or component failure may also result in loss of Orders or Order priority. SaracenMarkets assumes no responsibility for any loss resulting from system or component failure, illegal intervention in network equipment, malicious blocking, or access by third parties or viruses introduced into your equipment via the Trading Platform.

## 13. Slippage

Due to an increase in volatility or volume, orders may be subject to slippage. This most commonly occurs during fundamental news/events.

The volatility in the market may create conditions where orders are difficult to execute since the price might be many pips away due to the extreme market movement. Although the trader is looking to execute at a certain price, the market may have moved significantly and the order would be filled at the next best price or the fair market value. Similarly, increased volume may also result in slippage if sufficient liquidity does not exist to execute all trades at the requested rate.

To avoid the slippage as much as you can, you may do the following things:

- Decrease trading volume
- Trade during the volatility is low in the market prices
- Trade major symbols which are traded often and liquidated

Slippage is a very basic knowledge among traders, and it happens to all types of financial markets.

## 14. Delays in Execution

A delay in execution may occur for various reasons, such as technical issues with the trader's internet connection to the servers, which may result in hanging orders. The trading platform on a trader's computer may not be maintaining a constant connection with the servers due to a lack of signal strength from an internet connection.

A disturbance in the connection path can sometimes interrupt the signal, and disable the trading platform, causing delays in the transmission of data between the trader's trading platform and the server.

## 15. Reset Order

Market volatility creates conditions that make it difficult to execute orders at the given price due to an extremely high volume of orders. By the time orders can be executed, the bid / ask price at which a counterparty is willing to take a position may be several pips away.

In cases where the liquidity pool is not large enough to fill a Market Range order, the order will be rejected. For Limit Entry or Limit Orders, the order would be rejected and reset until the order can be filled.

## 16. Widened Spreads

We strive to provide traders with tight, competitive spreads. However, there may be instances when spreads widen beyond the typical spread.

During news events, spreads may widen substantially to compensate for the tremendous amount of volatility in the market. The widened spreads may only last a few seconds or if a few minutes.

We strongly encourage traders to utilize caution when trading around news events and always be aware of their account equity, usable margin and market exposure. Widened spreads can adversely affect all positions on the account.

During periods of high volume, hanging orders may occur. This is a condition where an order sits in the “orders” window after it has been executed. The order will be highlighted in red, and the Status column will indicate “executed" or “processing”. Generally, the order has been executed, but it is simply taking a few moments for it to be confirmed by the banks.

During periods of heavy trading volume, a queue of orders may form. That increase in incoming orders may sometimes create conditions where there is a delay from the banks in confirming certain orders. Depending upon the type of order placed, outcomes may vary.

If this is a Market Range order and the order cannot be filled within the specified range, or if the delay has passed, the order will be rejected. If it is an At Best order, every attempt will be made to fill the order at the next best available price in the market. In both situations, the “status" column in the “orders” window will typically indicate “executed” or “processing.” The trade will simply take a few moments to move to the “open positions” window. Depending upon the order type, the position may have been executed and the delay is simply due to heavy internet traffic.

Keep in mind that it is only necessary to enter any order once. Multiple entries for the same order may slow or lock your computer or inadvertently open unwanted positions.

## 17. Greyed Out Pricing

We do not intentionally "grey out" prices. However, this is a condition that occurs when liquidity decreases, and market makers that provide pricing are not actively making a market for currency pairs.

At times, a severe increase in the difference of the spread may occur due to a loss of connectivity with a bank or due to an announcement that has a dramatic effect on the market that dries out liquidity. Such greying out of prices or increased spreads may result in margin calls on a trader's account.

## 18. Inverted Spreads

When trading on SaracenMarkets, you are trading on feeds that are being provided by multiple top-tier banks and financial institutions.

Unfortunately, online trading technology is not perfect and, in rare cases, this feed can be disrupted. This may only last for a moment, but when it does, spreads often become inverted.

During these rare occasions, we advise that clients avoid placing At Best orders. While it may be tempting to place a "free trade," keep in mind that the prices are not real and your actual fill may be many pips away from the displayed price. If trades are executed at rates not offered by our liquidity, we reserve the right to reverse such trades, as they are not considered valid trades.

Keep in mind these instances are usually rare, and by placing Market Range orders or not trading during these moments, traders can avoid the risk associated with the above scenarios.

## 19. Process Updating Before the Open Market

Shortly before the open, the Trading Desk refreshes rates to reflect current market pricing in preparation for the open. Currently, trades and orders held over the weekend are subject to execution. Quotes during this time are not executable for new market orders. After the open, traders may place new trades and cancel or modify existing orders.

Please be aware that during the first few hours after the opening, the market tends to be thinner than usual until the Tokyo and London market sessions begin. These thinner markets may result in wider spreads, as there are fewer buyers and sellers. This is large since for the first few hours after the opening, it is still the weekend in most of the world.

## 20. Gapping

Sunday's opening prices may or may not be the same as Friday's closing prices. At times, the prices on the Sunday open are near where the prices were on the Friday close. At other times, there may be a significant difference between Friday's close and Sundays open. The market may gap if there is a significant news announcement or an economic event changing how the market views the value of a currency.

Traders holding positions or orders over the weekend should be fully comfortable with the potential of the market to gap.

## 21. Order Execution

Limit orders are often filled at the requested price. If the price requested is not available in the market, the order will not be filled. If the requested price of a stop order is reached at the open of the market on Sunday, the order will become a market order. Limit Entry (LE) orders are filled the same way as limit orders. Stop Entry (SE) orders are filled the same way as stops.

## 22. Margin Calls

The idea of margin trading is that your margin acts as a good faith deposit to secure the larger notional value of your position. Margin trading allows traders to hold a position much larger than the actual account value. Our online trading platform has margin management capabilities, which allow for this high leverage.

Of course, margin trading comes with risk, since high leverage may work against you as much as it works for you. If account equity falls below margin requirements, the trading platform will trigger an order to close all open positions. When positions have been over-leveraged or trading losses are incurred to the point that insufficient equity exists to maintain current open positions, a margin call will result, and open positions must be liquidated.

Please keep in mind that when the account's useable margin reaches zero, all open positions are triggered to close. The margin-call process is entirely electronic, and there is no discretion on our part as to the order in which trades are closed. Such discretion would require us to actively monitor positions accounts.

Example: A trader has $10,000 in a standard account and his margin requirement is 1% (i.e., he has the leverage of 100:1). For each position he opens (each position = 1 lot = 100,000 notional value), he is required to set aside $1000 in used margin. If he opens two positions, his required margin is $2000. The trader can lose up to $8000 before he starts dipping into his margin requirement. When his account equity reaches $2000, a margin call is triggered and all positions will be closed.

The margin requirements are generally $1,000 per lot for Standard accounts (Lot size of 100,000). It is strongly advised that clients maintain the appropriate amount of margin in their accounts always. Margin requirements may be changed based on account size, simultaneous open positions, trading style, market conditions, and at the discretion of us.

## 23. Chart Price vs Price on Platform

It is important to make a distinction between indicative prices (displayed on charts) and deal-able prices. Indicative quotes are those that offer an indication of the prices in the market, and the rate at which they are changing. Market watchers, such as S&P and signal compile indicatives quotes as a proxy for the market's actual movement.

These prices are derived from a host of contributors such as banks and clearing firms, which may or may not reflect where our liquidity providers are making prices.

Indicative prices are usually very close to dealing prices. Indicative quotes only indicate where the market is. Equity and futures traders dealing through a broker will see indicative quotes. Executable quotes ensure finer execution and thus a reduced transaction cost.

Equity and futures traders are used to prices being the same at any given time, regardless of which firm they are trading through or which charting provider they are using and they often assume the same holds for spot forex.

Because the rolling spot forex market is decentralized meaning it lacks a single central exchange where all transactions are conducted each forex dealer (market maker) may quote slightly different prices. Therefore, any prices displayed by a third-party charting provider, which does not employ the market maker's price feed, will reflect "indicative" prices and not necessarily actual "dealing" prices where trades can be executed.

## 24. Introducing Broker

Due to the nature of this business, your Account may have been referred to SaracenMarkets by a third-party Introducing Broker. SaracenMarkets does not supervise the activities of Introducing Broker and assumes no liability for any representations made by any Introducing Broker. SaracenMarkets and an Introducing Broker are wholly separate and independent of one another.

The agreement between SaracenMarkets and an Introducing Broker does not constitute a joint venture or partnership and an Introducing Broker is not an agent or employee of SaracenMarkets.

SaracenMarkets may compensate any Introducing Broker for introducing Clients to SaracenMarkets and such compensation may be on a per-trade basis or another basis. SaracenMarkets does not control and cannot endorse nor vouch for the accuracy or completeness of any information or advice the Client may have received or may receive in the future from any Introducing Broker or any other person not employed by SaracenMarkets, regarding Financial Derivatives trading or the risks involved in such trading.

Any Introducing Broker or third-party vendors of trading systems, courses, programs, or research may not be regulated by a regulatory authority. If Clients are introduced to SaracenMarkets by an Introducing Broker that Introducing Broker might have the right to access the Client's trading Account statement, but the Introducing Broker shall not have the right to enter any trades on the Client's behalf unless authorised by Client under a power of attorney granting such Introducing Broker the right to trade on the Client's Account.

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