

Risks in Derivatives Trading on the SWFX Swiss Forex Marketplace

The Client confirms that Dukascopy Europe IBS AS (hereinafter "Dukascopy Europe") has provided him with the enclosed "Brochure on Risks in Derivatives Trading on the SWFX Swiss Forex Marketplace" describing the nature and disclosing the risks in foreign exchange and other derivatives trading activities. The Client confirms that he has reviewed the brochure and understood the structure, the risks and the costs associated with foreign exchange trading (hereinafter "Forex" or "FX") and other derivatives ("Binary Options" and "CFD"). All together - "Derivatives".

In accordance with applicable legislation, Clients must be informed about the overall risks relating to high risk transactions as such, but not about the specific risks relating to each individual transaction. In this respect, Dukascopy Europe has no obligation and will not monitor the Client's trading activity or the trading of his attorney.

The Derivatives market is different from other markets in the financial world. The speed and huge size thereof mean it changes continually and it is particularly risky. Increased risks mean chances for a higher profit but also for a higher loss.

It is very important for the Client willing to trade foreign exchange to be aware that **Foreign exchange trading is by nature a highly speculative investment** entailing a higher degree of risks than other types of investments. Foreign exchange markets are amongst the most volatile markets in the world specifically when traded on a margined and leveraged basis. Speculation should not be confused with making a long term conservative investment.

The nature of foreign exchange trading does not lend itself as much to investment as it does to speculation and hedging. Any investment in foreign exchange requires good market understanding, experience and personal commitment.

Binary Options are another type of derivatives which entail a high degree of risk due to a chance of the entire loss of initial investment. **Trading in Binary Options is speculative and risky** and is not suitable for all members of the general public but only for those investors who:

- (i) understand and are willing to assume the economic, legal and other risks involved;
- (ii) have the knowledge to understand Binary Options trading and the underlying assets and markets;
- (iii) taking into account their personal financial circumstances, financial resources, life style and obligations, are financially able to assume the loss of their entire investment.

Trade only with funds you can afford to lose: money required to secure living expenses, educate children, assure retirement should never be traded. Persons unsure or hesitant about a trade must stay on the sidelines.

THE ENCLOSED RISK BROCHURE IS A SUMMARY OF THE RISKS INVOLVED IN THE DERIVATIVES TRADING. DUE TO VARIETY OF MARKET SITUATIONS IT IS IMPOSSIBLE TO ANTICIPATE ALL RISKS AT ANY PERIOD OF TIME, THEREFORE THIS SUMMARY OF THE RISKS SHOULD NOT BE REGARDED AS COMPLETE OR EXHAUSTIVE. YOU SHOULD CAREFULLY CONSIDER YOUR ABILITY AND EXPERIENCE BEFORE YOU COMMIT ANY FUND IN DERIVATIVES.

I/We have read and understood the enclosed risk brochure and I/ we expressly confirm my/our full understanding of the risks involved with Derivatives Trading and my/our acceptance and financial capability to bear such risks.

Brochure on Risks in Foreign Exchange Trading on the SWFX Swiss Forex Marketplace

EACH CLIENT MUST CAREFULLY CONSIDER AND UNDERSTAND THE RISK ENTAILED WITH FOREIGN EXCHANGE TRADING ACTIVITY BEFORE ENGAGING ANY ASSETS ON THE SWFX TRADING PLATFORM. FOREIGN EXCHANGE TRADING ACTIVITIES CARRY SUBSTANTIAL RISKS AND IS SUITABLE ONLY FOR PERSONS WHO CAN ASSUME THE RISK OF LOSING THEIR ENTIRE INVESTMENT.

IF THE CLIENT HAS DOUBTS CONCERNING THE RISKS OR COSTS ASSOCIATED HEREUNDER, HE UNDERTAKES TO IMMEDIATELY REQUEST FURTHER INFORMATION FROM HIS CONTACT PERSON AT DUKASCOPY EUROPE OR FROM AN INDEPENDENT ADVISOR.

1. General Forex Trading Basics

“Foreign exchange”, “Forex” or just “FX” are all terms used to describe the trading of the world's currencies. The Forex market is the largest market in the world, with trades amounting to more than USD 3 trillion every day.

Trading successfully is by no means a simple matter. It requires time, market knowledge, market understanding and a large amount of self-restraint. Anyone who says you can consistently make money in foreign exchange markets is being untruthful. Foreign exchange is by nature a volatile market. The practice of trading foreign exchange by way of leverage increases that volatility exponentially. The foreign exchange market is therefore a very 'fast market' which is naturally inconsistent. Following that precept, it is logical to say that in order to make a successful trade, a trader has to take into account technical and fundamental data and make an informed decision based on his perception of market sentiment and market expectation. Timing a trade correctly is probably the most important variable in trading successfully but invariably there will be times where a traders' timing will be off.

Forex trades can be entered as a speculative investment or as a hedging arrangement. Investing in foreign exchange predominantly remains the domain of the most important professional players in the market, i.e. funds, banks and brokers.

Unlike trading on an organized exchange markets, the Forex market is not conducted on a central exchange, but on the “interbank” market, which is thought of as an OTC (Over The Counter) market. The main centers for trading are Sydney, Tokyo, London, Frankfurt and New York. This worldwide distribution of trading centers means that the Forex market is almost a 24 hours market.

There are many reasons for the popularity of foreign exchange trading, but among the most important are the leverage available and the high liquidity 24 hours a day.

2. Spot and forward trading

In the context of currency trading:

- A “**Spot**” transaction means a deal in currencies settled on the same day with immediate (“on the spot”) delivery; provided that delivery may take a maximum of two business days.
- A “**Forward**” transaction **means** a deal in currencies for future (forward) delivery at prices agreed-upon on the dealing day.

Clients trading on the SWFX Swiss Marketplace are duly informed that trades may only be executed “Spot”, but there is no delivery by Dukascopy Bank SA of the underlying bought and sold currencies. A netting of the profits and losses resulting from the Clients currency trades and positions will be executed.

3. Investment Objective. Above Average Risk of Loss

There is always a relationship between high reward and high risk. Any type of market or trade speculation that can yield an unusually high return on investment is subject to unusually high risks. FX Trading may give rise to large losses within a relatively short period of time. These losses may be attributed to adverse market movements or to position build-up. Before deciding to enter into FX Trading, each Client should carefully consider his investment objectives, level of experience, and risk appetite. FX Trading is not suitable for everyone. Investors should only invest in FX Trading the portion of their own assets they can afford to lose entirely. In this respect, only their surplus funds should be placed at risk and anyone who does not have such surplus should imperatively avoid engaging in FX Trading.

Clients should immediately contact their contact person at Dukascopy Europe and request any necessary information or any independent financial advisor in case of doubts on the risks related to FX Trading. In case an External Manager is appointed by the Client, the information duty about risks is born by the External Manager.

4. Margin Account and Leverage. Amplification of Risk

Trading on margin and leverage means that you can buy and sell assets that represent more value than the capital in your account. Forex trading is usually conducted with relatively small margin deposits. This permits investors to increase effect of currency exchange rate fluctuations. A margin of 1% means you can trade up to USD 1,000,000 even though you only have USD 10,000 only in your account. For example, a margin of 1% corresponds to a 100:1 leverage (or "gearing" that means that USD 10,000 is 1% of USD 1,000,000). Using this much leverage enables you to make profits very quickly, but there is also a greater risk of incurring large losses and even being completely wiped out. Therefore, it is not recommended to maximize your leveraging as the risks can be very high.

The use of leverage increases the exposure of the Client's margin account to the volatility of the FX Market, empowering the Client to capitalize more on market movements and make more significant returns or losses depending on the market direction. Any change in the currency market will result in a greater change in the position taken by the Client. This is called the "leverage effect". The low initial margin deposits permits a high degree of leverage. As a result, a relatively small movement in the price of a currency may result in a profit or a loss which is high in proportion to the amount of funds actually placed as margin.

Dukascopy Europe may grant extended leverage (trading line) to the Client up to 300:1. In principle, this is a maximum and each Client can opt to trade with a lower or with no leverage at all. For more information on the trading conditions, please refer to Dukascopy Europe's website.

5. Stop-Loss and Additional Margin

There are almost no daily limits on foreign exchange trading and no restrictions on trading hours other than the weekend. This means that there will nearly always be an opportunity to react to moves in the main currency markets and a low risk of getting caught without the opportunity of getting out. However, if the market moves rapidly against the Client's position, a total loss of the funds deposited on the margin account can be suffered in a relatively short time. The main risk that might trigger such sudden moves is for example an event over the weekend, when all markets are closed. This happens from time to time as many important political events, such as G8 meetings, are normally scheduled on weekends.

In order to limit Clients' risks, the Trading Platform enables the use of Stop-Loss Orders. Stop-Loss is a way to limit risks of losses and control the amount that one is ready to risk. It is important for the Clients to be aware of the implications on the market. Before a Stop-Loss Order is placed, Clients are requested to carefully consider their risk appetite and test the "Demo" account available directly on Dukascopy Europe's website.

In accepting these orders, whilst Dukascopy Europe assumes an obligation to make every reasonable effort to execute the order promptly, there is no guarantee of fixed price execution to the Client as the market may move faster and produce "slippage" notwithstanding the Stop-Loss.

Margin and used leverage are related to the margin account. When available margin starts decreasing, a minor move of the underlying exchange rates could lead to quick and severe losses, even with a large margin account base, assuming that the FX positions are highly leveraged.

Margin Call

When used leverage reaches 100%, no available margin remains as the necessary margin to run current exposures is fully used. Should the FX positions experience losses, available margin starts to become insufficient. At this point, a margin call notification is issued and the net exposure cannot be increased until the available margin recovers eventually and becomes sufficient again. However, neither covering nor reducing of exposure occurs at this stage yet and Clients still have some room for managing their exposures, in particular they may decrease their exposures by hedging and/or closing some of the current exposures. Clients have, as well, the discretion to fund their account with additional funds in order to increase their available margin; once the margin is reinstated back to a positive level, Clients are able to increase exposure again. Should the available margin not be reinstated and losses continue to increase, the FX positions will reach the cut-off zone.

Cut-off, Margin cut

As previously mentioned, once a margin call is issued, Clients still have room to maintain their exposures. If however, the margin account continues to decrease and the exposures are neither reduced nor closed, available margin starts to become negative and used leverage goes over 100% of the authorized leverage.

When 200% of the authorized leverage is used, Dukascopy Europe automatically hedges current exposures until the available margin is reinstated back to zero and will continue to do so, following the same process, should the market continue to go against the Client's positions and remaining exposure still exists. Clients must monitor the activity of their FX position very carefully, especially when the available margin is shrinking.

Stop-Loss Order, Limit Order and Stop-Loss functionality

To monitor risks of losses, Clients may enter into Stop-Loss Orders. A "**Stop-Loss Order**" is an order whereby an exposure is automatically closed (by closing a position or by opening an opposite position) at a specific price. A Stop-Loss Order may limit exposure to losses if the market moves against the Clients' position.

A "**Limit Order**" is an order with restrictions on the maximum price to be paid or the minimum price to be received.

The Client is informed that a Stop-Loss Order is by no means an irrevocable guarantee of getting out at the desired level. If the relevant market does not have enough liquidity or banks stop trading for any specific reason at the moment when the Stop-Loss is hit, the transaction cannot be liquidated at the desired price and the Client can suffer further losses.

On the SWFX Swiss Forex Marketplace, Clients who appoint an External Manager to trade on their behalf (hereinafter the "Managed Clients") must use the Stop-Loss functionality to set a Stop-Loss level on their account. The Stop-Loss level for Managed Clients shall be understood as the amount of money that the Client wants to protect from losses as a result of the trading performed by his attorney.

Similar to Stop-Loss Orders, the Stop-Loss functionality cannot fully guarantee that the Managed Client will never suffer losses in excess of the defined Stop-Loss level, in particular in case of fast/sharp market fluctuations.

6. Trading Non-Majors

A currency trade is the simultaneous purchase of one currency and sale of another one. The currency combination used in a trade is called a “Cross” or a “Pair” (for example, the euro/US dollar, or the GB pound/Japanese yen). There is always a long (bought) and a short (sold) side to a trade, which means that the expectations are done on the prospect of one of the currencies strengthening in relation to the other.

Any and all trading orders executed on the Clients’ instruction may be non-readily realizable in the case of a currency traded so irregularly or so infrequently that no immediate spot price can be quoted or that no counterparty in the market agrees to take a counter position. It is understood that the SWFX Swiss Forex Marketplace is a technological tool only and that it cannot guarantee the execution in such cases.

7. Interest Rate Differentials

Different currencies pay different interest rates. This is one of the main driving forces behind foreign exchange trends. It is inherently attractive to be a buyer of a currency that pays a high interest rate while being short of a currency that has a low interest rate.

Although such interest rate differentials may not appear very large, they are of great significance in a highly leveraged position. For example, the interest rate differential between the US dollar and the Japanese yen has been approximately 5% for several years. In a position that can be supported by a 5% margin deposit, this results in a 100% profit on capital per annum when US dollar is bought. Of course, an even more important factor normally is the relative value of the currencies, which changed 15% from low to high during the year 2005 – disregarding the interest rate differential. In our example, from a pure interest rate differential viewpoint, the Client has an advantage of 100% per annum in his favor by being long US dollar and an initial disadvantage of the same size by being short.

Such a situation clearly benefits the high interest rate currency and as result, the US dollar was in a strong bull market all through the year 2005. But it is by no means a certainty that the currency with the higher interest rate will be the strongest. If the reason for the high interest rate is runaway inflation, this may undermine confidence in the currency even more than the benefits perceived from the high interest rate.

8. Past and Hypothetical Performance. Market opinions

Past performance realized in the FX Market is not indicative of any future performance. It should also be understood that hypothetical performance results may be posted for information purposes only. Such hypothetical performance results have inherent limitations in that they have been prepared with use of past performance that is not a guarantee of future results. Performance can and does vary between each investor, trading strategy and the current market situation.

Any opinions, news, research, analyses, prices, or other information contained on Dukascopy Europe’s website (www.dukascopy.eu) is provided as general market information, and does not constitute investment advice or recommendation. Dukascopy Europe and its affiliates will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information.

9. Volatility Risk

FX Trading is subject to a high degree of volatility. Currency prices may be subject to extensive fluctuations in response to numerous factors, which are beyond Dukascopy Europe’s control. The market can move sharply in favor or against the Client’s position(s).

A decrease in market liquidity, any unanticipated changes in economic or political conditions, a financial crisis, or any other event can accelerate the market conditions in which currency price could move sharply and unexpectedly higher or lower or in a volatile up or down pattern.

To avoid or limit losses due to volatility of the market, Clients must monitor their investment at all time.

10. Diversification Risk and Concentration of Investments

Concentrating FX Trading on a single currency pair does not allow taking advantage of the risk diversification. As such, the Clients position(s) may not be diversified and may be subject to significant losses due to market direction working against the Clients. However, certain risk diversification may result from divergence between market fluctuations of different currency pairs. While Clients may invest in a significant number of diversified currencies, the SWFX trading platform enables Clients to take large positions in a few or in one currency pair only.

Each Client must ensure that his currency positions are sufficiently diversified.

11. Liquidity Risk

Liquidity represents the volume of FX transactions that can be executed, in a certain currency pair, at a certain moment. The liquidity depends on the number of FX market participants interested in FX trading and on the size of the market participant's offers. The liquidity is subject to sharp fluctuations depending on the currency, the economical or political events and news such as a financial crisis, or to any other event which are beyond the control of Dukascopy Europe.

In case of low liquidity, Clients may be not able to carry out, buy or sell orders and, consequently, to wind-up positions that they want or need to liquidate. In such market conditions, Clients may be forced to accept a significantly higher price than the desired price in order to be able to transact a certain FX deal. In addition and for the same reasons, a Stop-Loss Order may be executed at a price which is significantly different from the desired price.

In general, low liquidity market situations significantly increase the risks associated with FX trading. The major currencies which are the most traded throughout the world usually offer a better liquidity than any other currencies.

12. Technology Risks, Internet Trading Risks

There are risks associated with the use of an Internet-based deal execution trading system including, but not limited to, the failure of hardware, software, Internet connection and others. Since Dukascopy Europe does not control signal power, its reception or routing via Internet, configuration of Client's equipment or reliability of its connection, Dukascopy Europe cannot be responsible for communication failures, distortions or delays when trading via the Internet. Dukascopy Europe employs back-up systems and contingency plans to minimize the possibility of system failure, and trading via telephone is always available. Dukascopy Europe disclaims responsibility for any losses and/or damages resulting from or in connection with communication failures, distortions or delays when trading via the Internet.

13. Operational Risks

Operational risks are the risks of any malfunction, failure or error in the processing of FX transactions. Such risks are especially associated with utilizing an Internet-based deal execution trading system including, but not limited to, failure of hardware, software and Internet connection.

Any mean of order transmission, e.g. telephone, fax, email, etc. involves a risk of failure, delay or errors in transmission or misunderstanding, alteration and duplication. The Client must be aware of the risk of abuse or falsification of the identification procedure by a non-authorized third party.

14. Supervision and Regulatory Risk

Dukascopy Europe is subject to regulation and supervision in its jurisdiction of registration. Changes in existing regulations may have a material adverse effect on Dukascopy Europe's business model. The Client understands that Dukascopy Europe cannot be held liable for the effects of any such restriction and/or modification.

15. Conflicts of Interests

The Client understands that the business model of the SWFX Swiss Forex Marketplace consists in ensuring best execution for the transactions of the Clients and matching the transactions between any of its Clients or Counterparties, each trade being instantly hedged with a countertrade. In that respect, on the SWFX Swiss Forex Marketplace, Dukascopy Bank SA is counterparty to each trade and counter trade. In some circumstances, Dukascopy Bank may not hedge entirely or may not hedge at all certain trades. In such cases, Dukascopy Bank may have opposite positions towards Clients. Dukascopy Europe is a wholly owned subsidiary of Dukascopy Bank.

Dukascopy Europe and Dukascopy Bank limit to possible minimum the potential conflict of interests and act in the best interests of the Clients.

The remuneration of Dukascopy Europe includes commissions based on volume traded on the SWFX Swiss Forex Marketplace. The information about the amounts of commissions and fee policy is presented on the website of Dukascopy Europe and constantly updated.

16. External Manager and Introducing Agents

Conflict of interests may arise where a Client has appointed an External Manager of his choice to trade on his behalf. The remunerations of the External Manager usually depend upon the volume and the number of transactions proceeded. Dukascopy Europe is allowed to proceed to payment of retrocessions to External Managers and Introducing Agents in accordance with the local market practice and Dukascopy Europe's policy. External Managers and Introducing Agents are obliged to communicate to the Client the amounts of retrocessions received and to produce all reporting thereof if required.

The Client is informed that Dukascopy Europe has no insight into the instructions given by him to his attorney and that Dukascopy Europe has no duty whatsoever and will not monitor, analyse, interfere in, or opine on, the trading executed by the attorney on behalf of the Client. Dukascopy Europe has no duty to inform or to alert the Client in relation with the orders given by the attorney and/or regarding the trading activity performed by the attorney. The Client is advised to seek information from his External Manager and shall closely supervise the activity of the External Manager as well as monitor regularly his trades, respect of the strategy, etc. In addition, Dukascopy Europe gives online possibility to Managed Clients to instantly deactivate the trading on their accounts and to limit the risk of loss (Stop-Loss functionality) through the online reporting.

17. Website Information

Every Client is required to read and review the information available on Dukascopy Europe's website (www.dukascopy.eu) on a regular basis including, without limitation, any and all guidelines and instructions to use the SWFX Trading Platform, the fee policy, the transaction settlement process, or any other information available thereto. In case of doubts or questions, the Client is invited to immediately contact his Relationship Manager at Dukascopy Europe.

The content of the website is subject to change at any time without notice.

Brochure on Risks in Binary Options Trading on the SWFX Swiss Forex Marketplace

1. General Binary Options Trading Basics

Binary Options are derivative financial instruments deriving their value from the prices of the underlying assets/markets in which they refer to (for example stocks, currency pairs, equity indices etc.). The Client determines whether the price of the underlying assets/markets at the termination of the option will be higher or lower than the price at the beginning of the option. The price of the expiration time of the option contract determines the possible gains or losses with Binary Options. Binary Options can have only one of two possible outcomes and allow the Client to take a "NO" or "YES" approach.

2. Risks

This document cannot and does not disclose or explain all of the risks associated with in Binary Options. The purpose of this Brochure is to explain the nature of the risks involved when dealing in Binary Options on a fair and non-misleading basis.

Dukascopy Europe does not provide the Client with any advice relating to Binary Options, the underlying assets or markets or make investment recommendations of any kind. If the Client does not understand the risks involved, he/she/it should seek advice and consultation from an independent financial advisor. If the Client does not understand the risks involved in trading in Binary Options, he should refrain from trading in Binary Options at all.

Binary Options have contingent liabilities, and the Client should be aware of their implications.

It is important that the Client understands the risks associated with trading in the relevant underlying asset or market. Fluctuations in the price of the underlying asset/ market will affect the profitability of his trade. There are several risks:

Volatility: movements in the price of underlying assets/ markets can be volatile and unpredictable. This will have a direct impact on the Client's profits and losses. Understanding the volatility of an underlying market will help guide the Client how to trade and how much he is willing to lose.

Gapping: The Client should be aware of gapping where such events can result in a significant profit or loss on the Client's account. Various factors can lead to gapping, such as market announcements or economic events. Gapping can occur when the underlying asset/market is open and when it is closed

Market liquidity: The prices of Binary Options will be influenced by a market's ability to facilitate assets being sold in a short period of time. Many different factors can influence such ability (economic, political, national and international events etc.). Market conditions can change quickly and significantly and hence under certain market conditions it may be impossible for the Client's order to be executed leading to losses.

The Client has no rights or obligations in respect of the underlying assets/markets relating to the Binary Options he/she/it is trading.

Binary Options trading can only be settled in cash and there is no delivery of the underlying asset.

Binary Options offered by the Company are not traded on any regulated exchange. Engaging in Binary Options trading may expose you to substantially greater risks than financial instruments traded on a regulated exchange.

There is a probability that movements, events occurring at weekend, in the beginning of week or after a release of important macroeconomic reports, economic or political news make currency markets to open with price levels that may substantially differ from previous prices.

3. Past and Hypothetical Performance. Market opinions

Past performance realized in Binary Options is not indicative of any future performance. It should also be understood that hypothetical performance results may be posted for information purposes only. Such hypothetical performance results have inherent limitations in that they have been prepared with use of past performance that is not a guarantee of future results. Performance can and does vary between each investor, trading strategy and the current market situation.

Any opinions, news, research, analyses, prices, or other information contained on Dukascopy Europe's website (www.dukascopy.eu) is provided as general market information, and does not constitute investment advice or recommendation. Dukascopy Europe and its affiliates will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information.

4. Technology Risks, Internet Trading Risks

There are risks associated with the use of an Internet-based deal execution trading system including, but not limited to, the failure of hardware, software, Internet connection and others. Since Dukascopy Europe does not control signal power, its reception or routing via Internet, configuration of Client's equipment or reliability of its connection, Dukascopy Europe cannot be responsible for communication failures, distortions or delays when trading via the Internet. Dukascopy Europe employs back-up systems and contingency plans to minimize the possibility of system failure, and trading via telephone is always available. Dukascopy Europe disclaims responsibility for any losses and/or damages resulting from or in connection with communication failures, distortions or delays when trading via the Internet.

5. Operational Risks

Operational risks are the risks of any malfunction, failure or error in the processing of Binary Options transactions. Such risks are especially associated with utilizing an Internet-based deal execution trading system including, but not limited to, failure of hardware, software and Internet connection.

Any mean of order transmission, e.g. telephone, fax, email, etc. involves a risk of failure, delay or errors in transmission or misunderstanding, alteration and duplication. The Client must be aware of the risk of abuse or falsification of the identification procedure by a non-authorized third party.

6. Supervision and Regulatory Risk

Dukascopy Europe is subject to regulation and supervision in its jurisdiction of registration. Changes in existing regulations may have a material adverse effect on Dukascopy Europe's business model. The Client understands that Dukascopy Europe cannot be held liable for the effects of any such restriction and/or modification.

Laws regarding Binary Options trading may be different throughout the world. It is the Client's obligation to ensure that trading in Binary options is allowed and fully compliant with any law, regulation or rule applicable in a country of the Client's residence.

7. Website Information

Every Client is required to read and review the information available on Dukascopy Europe's website (www.dukascopy.eu) on a regular basis including, without limitation, any and all guidelines and instructions to use the SWFX Trading Platform, the fee policy, the transaction settlement process, or any other information available thereto. In case of doubts or questions, the Client is invited to immediately contact his Relationship Manager at Dukascopy Europe.

The content of the website is subject to change at any time without notice.

8. No Guarantees of Profit

Dukascopy Europe cannot guarantee any profit nor avoiding losses when trading in Binary Options. The Client is aware of the risks associated with trading in Binary Options and is financially able to bear such risks and withstand any losses incurred.

9. Third Party Risks

Dukascopy Europe may pass money received from the Client to a third party (e.g. a bank or broker) to hold or control in order to effect trading through or with that person. Dukascopy Europe has no responsibility for any acts or omissions of any third party to whom it will pass money received from the Client.

Dukascopy Europe has the right to hold Client's money on the Client's behalf outside the EEA. The legal and regulatory regime applying to any such financial institution will be different from that of Latvia and in the event of the insolvency or any other analogous proceedings in relation to that financial institution, the Client money may be treated differently from the treatment which would apply if the money was held with a financial institution in an account in Latvia. Dukascopy Europe will not be liable for the insolvency, acts or omissions of any third party referred to in this paragraph.

10. Force Majeure Events

Dukascopy Europe shall not be responsible for any harm which shall be caused to the Client in the event that such harm is the result of a force majeure and any outside event which is not in the control of Dukascopy Europe.

11. Advice and Recommendations

Dukascopy Europe does not provide any form of investment advice to the Client in relation to Binary Options or the underlying assets/markets. The Client alone enters into transactions with Binary options and takes relevant decisions based on own knowledge and experience. Dukascopy Europe gives no warranty as to the suitability of the products traded and assumes no fiduciary duty in its relations with the Client.

Dukascopy Europe does not provide the Client with any legal, tax or other advice relating to Binary Options trading. The Client should seek independent expert advice if he/she/it has any doubt as to whether he/she/it may incur any liabilities.

Brochure on Risks in CFDs other than Forex Trading on the SWFX Swiss Forex Marketplace¹

An on-going effect of the financial crisis is that even moderate returns on money are difficult to achieve. When looking to enhance their returns, many investors consider investing in complex products that offer the opportunity to trade on 'leverage', such as 'contracts for difference' (CFDs).

Generally, the buying and selling of CFDs, especially when done online, is not accompanied by investment advice. This means that you, the retail investor, are responsible for your own decisions to trade. Nevertheless, an authorised and regulated CFD provider or broker must first check that dealing in CFDs is appropriate for you and that you are aware of the risks involved.

CFDs are complex products, generally used for speculative purposes. They can be particularly difficult to understand.

1. What is a CFD?

A CFD is an agreement between a 'buyer' and a 'seller' to exchange the difference between the current price of an underlying asset (shares, currencies, commodities, indices, etc.) and its price when the contract is closed.

CFDs are leveraged products. They offer exposure to the markets while requiring you to only put down a small margin ('deposit') of the total value of the trade. They allow investors to take advantage of prices moving up (by taking 'long positions') or prices moving down (by taking 'short positions') on underlying assets.

When the contract is closed you will receive or pay the difference between the closing value and the opening value of the CFD and/or the underlying asset(s). If the difference is positive, the CFD provider pays you. If the difference is negative, you must pay the CFD provider.

CFDs might seem similar to mainstream investments such as shares, but they are very different as you never actually buy or own the asset underlying the CFD.

2. Costs

In addition to any profits or losses, there are different types of costs linked to transactions in CFDs. Costs will impact the effective return.

Costs related to CFD trading may also include bid-offer spreads, daily and overnight financing costs, account management fees, and taxes (depending on the jurisdiction in which you and the CFD provider operate). These costs can be complex to calculate and may outweigh the gross profits from a trade.

3. What are the main risks of investing in CFDs?

CFDs, especially when highly leveraged (the higher the leverage of the CFD, the more risky it becomes), carry a very high level of risk. They are not standardized products. Therefore, generally, CFDs are not suitable for most retail investors.

You should only consider trading in CFDs if you wish to speculate, especially on a very short-term basis, or if you wish to hedge against an exposure in your existing portfolio, and if you have extensive experience in trading, in particular during volatile markets, and can afford any losses.

4. Time is not on your side

CFDs are not suitable for 'buy and hold' trading. They can require constant monitoring over a short period of time (minutes/hours/days). Even maintaining your investment overnight exposes you to greater risk and additional cost.

The volatility of the stock market and other financial markets, together with the extra leverage on your investment, can result in rapid changes to your overall investment position. Immediate action may be required to manage your risk exposure, or to post additional margin.

¹ This brochure is based on the Contracts for difference (CFDs) Investor warning 2013/267 published by ESMA and EBA. For more detailed information please refer to <http://www.esma.europa.eu/system/files/2013-267.pdf>

Therefore, if you do not have enough time to monitor your investment on a regular basis, you should not trade in CFDs.

5. Trade only with funds you can afford to lose

Do not invest in CFDs with assets you cannot afford to lose. The client may not get back the amount he has invested.

The Client cannot lose more than his trading account balance.

6. Liquidity risk

Liquidity risk affects your ability to trade. It is the risk that your CFD or asset cannot be traded at the time you want to trade (to prevent a loss, or to make a profit).

In addition, the margin you need to maintain as a deposit with the CFD provider is recalculated daily in accordance with changes in the value of the underlying assets of the CFDs you hold.

7. Leverage risk

Leveraged trading means that potential profits are magnified; it also means that losses are magnified.

The lower the margin requirement, the higher the risk of potential losses if the market moves against you.

8. 'Stop loss' limits

This automatically closes your position when it reaches a price limit of your choice. There are some circumstances in which a 'stop loss' limit is ineffective - for example, where there are rapid price movements, or market closure. Stop loss limits cannot always protect you from losses.

9. Execution risk

Execution risk is associated with the fact that trades may not take place immediately. For example, there might be a time lag between the moment you place your order and the moment it is executed. In this period, the market might have moved against you. That is, your order is not executed at the price you expected.

Be aware that the prices for the trades when the market is closed can differ widely from the closing price of the underlying asset. In many cases, the spread can be wider than it is when the market is open.

10. Currency risk

Customers should be aware that CFDs denominated in currencies other than their country currency have the additional risk associated with currency fluctuations.

11. Counterparty risk

Counterparty risk is the risk that the provider issuing the CFD (i.e. your counterparty) defaults and is unable to meet its financial obligations.

12. Technology Risks, Internet Trading Risks

There are risks associated with the use of an Internet-based deal execution trading system including, but not limited to, the failure of hardware, software, Internet connection and others. Since Dukascopy Europe does not control signal power, its reception or routing via Internet, configuration of Client's equipment or reliability of its connection, Dukascopy Europe cannot be responsible for communication failures, distortions or delays when trading via the Internet. Dukascopy Europe employs back-up systems and contingency plans to minimize the possibility of system failure, and trading via telephone is always available. Dukascopy Europe disclaims responsibility for any losses and/or damages resulting from or in connection with communication failures, distortions or delays when trading via the Internet.

13. No advice

Dukascopy Europe does not provide the Client with any advice relating to CFDs, the underlying assets or markets or make investment recommendations of any kind. If the Client does not understand the risks involved, he/she/it should seek advice and consultation from an independent financial advisor. If the Client does not understand the risks involved in trading in CFDs, he should refrain from trading in CFDs at all.

14. Website Information

Every Client is required to read and review the information available on Dukascopy Europe's website (www.dukascopy.eu) on a regular basis including, without limitation, any and all guidelines and instructions to use the SWFX Trading Platform, the fee policy, the transaction settlement process, or any other information available thereto. In case of doubts or questions, the Client is invited to immediately contact his Relationship Manager at Dukascopy Europe.

The content of the website is subject to change at any time without notice.