

HYCM (Europe) Ltd  
Risk Disclosure and Warnings Notice  
(version February 2022)

## TABLE OF CONTENTS

1.	RISK WARNING.....	3
2.	INTRODUCTION.....	3
3.	APPROPRIATENESS.....	3
4.	THE EFFECT OF LEVERAGE AND ITS RELATIONSHIP WITH MARGIN .....	4
5.	POTENTIAL GENERAL RISKS.....	4
6.	CURRENCY RISK.....	5
7.	THE COMPANY IS NOT AN ADVISER OR FIDUCIARY TO CLIENT .....	5
8.	RECOMMENDATIONS ARE NOT GUARANTEED .....	6
9.	NO GUARANTEES OF PROFITS.....	6
10.	NO GUARANTEE STOP LOSS.....	6
11.	INTERNET TRADING RISK .....	6
12.	VOLATILE MARKETS AND THE RISK OF SLIPPAGE.....	6
13.	LIQUIDITY RISK .....	7
14.	REGULAR MONITORING.....	7
15.	CLIENT MONEY AND COUNTERPARTY RISK.....	7
16.	COMPENSATION .....	8
17.	COMMUNICATION BETWEEN THE CLIENT AND THE COMPANY.....	8
18.	FORCE MAJEURE EVENTS.....	8
19.	CONTACT US .....	8

## 1. RISK WARNING

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All Clients and prospective Clients should read carefully the following risk disclosure and warnings contained in this document before they register an account or begin to trade with HYCM. 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 Forex and CFDs. The notice was designed to explain in general terms the nature of the risks involved when dealing in Forex and CFDs leveraged products on a fair and non-misleading basis and to help the (prospective) client take an investment decision on an informed basis.

For a detailed explanation on how our services operate, clients should read among the others, the following documents which together with this Notice, form part of our agreement with them:

- ✓ Terms of Business
- ✓ Order Execution Policy
- ✓ Privacy Policy
- ✓ Conflict of Interest Policy and
- ✓ Client Categorization Policy

**Trading in Forex and CFDs is speculative and involves a high degree of risk that can result in the loss of your entire investment. The Client should not engage in speculative trading unless he/she understand the basic aspects of such trading and its risks.** If the Client is in any doubt as to whether Forex and CFDs trading is appropriate and suitable for them, seek independent advice. We do not provide such advice. If the Client still does not understand the risks involved in trading in Forex and CFDs, they should not trade at all and stop using Company's website and services. It is the Clients' responsibility to consider whether trading in Forex and CFDs is suitable to their financial position and investment objectives. For example, clients should not invest in CFDs with money they cannot afford to lose. An investment in CFDs carries a high degree of risk to the investor and, due to fluctuations in value, the client may not get back the amount he has invested.

## 2. INTRODUCTION

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HYCM (Europe) Ltd ("the Company", "HYCM", "we", "us", "our") is an investment firm regulated by the Cyprus Securities and Exchange Commission (license number 259/14). This notice is provided to you in accordance with the provisions of the Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and Other Related Matters Law 87(I)/2017 and in accordance with the Markets in Financial Instrument Directive (MiFID) of the European Parliament and Council of 15 May 2014.

## 3. APPROPRIATENESS

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Trading in Forex and CFDs is appropriate for persons that

- a) Understand and are willing to assume the economic, legal and other risks involved in such transactions.
- b) Are financially able to assume the loss of their total investment.
- c) Are knowledgeable about leveraged products trading, the underlying assets and markets.

Following HYCM's Assessment of Appropriateness any decisions to open or not an account and whether or not a client understands the risks is up to the Client.

HYCM may also ask you for information about your financial assets and earnings. We do not monitor on your behalf whether the amount of money that you have sent us or your profits and losses are consistent with

that information. It is up to you to assess whether your financial resources are adequate and what level of risk you take.

#### **4. THE EFFECT OF LEVERAGE AND ITS RELATIONSHIP WITH MARGIN**

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If a client were to buy \$1000 of shares through a traditional broker, they would need to pay the full \$1000 upfront to own them (plus the associated broker charges). Trading on leverage means clients can have larger exposure to buy these shares for a relatively small (margin) deposit meaning that a small deposit can lead to larger possible gains as well as possible losses.

The leverage available in CFD and forex transactions trading depends on the underlying asset margin requirements. This means that a relatively small movement can lead to a proportionately much larger movement in the size of any loss or profit, which can work against you as well as for you. We do not recommend clients posting their entire account balance to meet margin requirements.

As of 1<sup>st</sup> August 2018, and following implementation of ESMA's Temporary Product Intervention Rules HYCM offers to its Retail Clients fixed leverage ratios which vary from 1:2 to 1:30 according to the volatility of the underlying financial instrument. Professional clients are exempt from regulatory limits on leverage in place for retail clients. This means that if a client qualifies as a professional client, they won't have to commit as much of a retail client's capital to the initial margin deposit as a retail client would.

Leveraged trades can lead to a total loss of the capital allocated for trading but never more as HYCM offers negative balance protection. The risks of these transactions can only be controlled to a certain degree (by hedging) or limited with respect to the amount at stake by making use of non-guaranteed Stop Loss Orders.

#### **5. POTENTIAL GENERAL RISKS**

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Client acknowledges, understands and agrees with the risks, including but not limited:

- 1) Trading Forex and CFDs can only be settled in cash. There is no physical delivery of the underlying asset. It is understood that clients have no rights or obligations in respect of the underlying instruments or assets relating to the Forex and/or CFDs they are trading.
- 2) Forex and CFDs are derivative financial instruments deriving their value from the prices of the underlying assets/markets in which they refer to (for example currency, equity indices, stocks, metals, indices futures, forwards etc.). Derivative financial instruments and related markets can be highly volatile. The prices of the underlying instrument which Forex and CFDs refer to may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the Client or HYCM.
- 3) It is understood that when it comes to trading in currencies, there may be situations, movements and/or conditions occurring at weekend, in the beginning of week or intra-day after release of significant macroeconomic figures, economic or political news that make currency markets to open with price levels that may substantially differ from previous prices.
- 4) The Client must provide and maintain in the account sufficient margin as determined by HYCM in its sole discretion from time to time. It is also the Client's responsibility to ensure that each transaction in the account is fully margined at all times. If at any time the account is short of margin, HYCM may either give the Client a notice from time to time (a "Margin Call") or close all open

contracts without prior notice if in our absolute discretion, the circumstances so warrant. Margin Calls will not normally be made by telephone but we reserve the right to do so

- 5) Trading Forex and/or CFDs is by default speculative trading. That means that trading in Company's leveraged products may not be appropriate for an investor seeking to increase his income from his investments as the income from such investments may fluctuate in value in money terms.
- 6) Trading in Forex and/or CFDs is generally not appropriate for the long-term investor. If the Client holds a CFD position open over a long period of times the associated costs increase.
- 7) There is a risk that the Client's trades in Financial Instruments may be or become subject to tax and/or any other duty for example because of changes in legislation or his personal circumstances. HYCM does not warrant that no tax and/or any other stamp duty will be payable. The Client should be responsible for any taxes and/or any other duty which may accrue in respect of his trades.
- 8) Before the Client begins to trade, he should obtain details of any charges for which the Client will be liable. It is the Client's responsibility to check for any changes in the charges.
- 9) It is noted that HYCM's prices in relation to Forex and CFDs trading are set by HYCM and may be different from prices reported elsewhere. HYCM's trading prices are the ones at which we are willing to sell our leveraged products to our Clients at the point of sale. As such, they may not directly correspond to real time market levels at the point in time at which the sale of HYCM occurs.
- 10) Information of the previous performance of any underlying asset does not guarantee its current and/or future performance. The use of historical data does not constitute a binding or safe forecast as to the corresponding future performance of the underlying asset.

## **6. CURRENCY RISK**

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Clients should be aware that CFDs denominated in a currency other than their home currency have the additional risk associated with currency fluctuations which will have an impact upon a client's profit and losses. Investments in instruments denominated in a foreign currency may be unfavourably affected by the lowering of the exchange rate of this currency against another. The increase or decrease in the currency exchange rates may cause losses or profits for the financial instruments in the currency in which they are denominated.

## **7. THE COMPANY IS NOT AN ADVISER OR FIDUCIARY TO CLIENT**

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Where HYCM provides generic market recommendations, such generic recommendations do not constitute a personal recommendation or investment advice and have not considered any of your personal circumstances or your investment objectives, nor is it an offer to trade, or the solicitation of an offer to trade, in any Forex and/or CFDs. Each decision by client to trade in Forex and/or CFDs with HYCM and each decision as to whether a transaction is appropriate or proper for Client is an independent decision made by the client. HYCM is not acting as an advisor or serving as a fiduciary to Client. Client agrees that HYCM has no fiduciary duty to client and no liability in connection with and is not responsible for any liabilities, claims, damages, costs and expenses, including attorneys' fees, incurred in connection with Client following HYCM's generic trading recommendations or taking or not taking any action based upon any generic recommendation or information provided by HYCM.

## 8. RECOMMENDATIONS ARE NOT GUARANTEED

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The generic market recommendations provided by HYCM are based solely on the judgment of HYCM's personnel and should be considered as such. Client acknowledges that it enters into any Transactions relying on its own judgment. Any market recommendations provided are generic only and may or may not be consistent with the market positions or intentions of HYCM and/or its affiliates. The generic market recommendations of HYCM are based upon information believed to be reliable, but HYCM cannot and does not guarantee the accuracy or completeness thereof or represent that following such generic recommendations will reduce or eliminate the risk inherent in trading in Forex and Contracts for Difference.

## 9. NO GUARANTEES OF PROFITS

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There are no guarantees of profit nor of avoiding losses when trading in Forex and CFDs. Client has received no such guarantees from HYCM or from any of its representatives. Client is aware of the risks inherent in trading in leveraged products and is financially able to bear such risks and withstand any losses incurred.

## 10. NO GUARANTEE STOP LOSS

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Stop Loss orders do not guarantee that a position will close at the exact level a client specified. For example, if the market suddenly gaps beyond a client's stop level, the stop loss order will not be executed at the stop loss price but will be triggered and executed at the first available market price which may be at a worse level than requested.

HYCM aims to deal with such orders as quickly and fairly as possible however the time taken to execute the order and, depending on the level at which the order is executed, depends upon the underlying market. In fast-moving markets, a price for the level of your order might not be available or the market might move quickly and significantly away from the Stop level before we are able to execute it.

## 11. INTERNET TRADING RISK

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When clients undertake transactions through a trading platform, they are exposed to risks associated with the system, including the failure of hardware and software (internet, servers etc). For example, there may be a delay on HYCM's platform when receiving an order and this may affect the price of execution. As a result an order may either not be executed according to clients' instructions or not executed at all.

Operational risks with HYCM on clients' computers are inherent in every Forex and/or CFD transaction. When clients trade online (via the internet), HYCM shall not be liable for any claims, losses, damages, costs or expenses, caused, directly or indirectly, by any malfunction or failure of any transmission, communication system, computer facility or trading software/platform, whether belonging to HYCM, Client, any exchange or any settlement or clearing system.

## 12. VOLATILE MARKETS AND THE RISK OF SLIPPAGE

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HYCM has no control over movements in the underlying prices, which may be volatile and unpredictable. Those movements will affect HYCM's prices, whether or not you can open and close a position and the price at which you can do so. **During periods of market volatility, it may be difficult or impossible for you to liquidate an existing position, to assess the value of open positions, to determine a fair price or to assess the exposure to risk. These are among the reasons why transactions in CFDs and forex transactions involve increased risks.**

At this point, it is important to refer to the risk of slippage which usually happens at times of high volatility such as during news or economic releases or dependent on the volume of your trade/s. Slippage is the difference between the expected price a trader was expecting the trade to be executed at versus the actual price the trade was executed at. If the execution price is better than the price requested by the client, this is referred to as '*positive slippage*'. In contrast, if the execution price is worse than the price requested by the client this is referred to as '*negative slippage*'. On the basis of the above, a client should consider the possible risk deriving from slippage as this is something that can occur in all account and order types offered.

### 13. LIQUIDITY RISK

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In setting our spreads and the sizes in which we deal, we take into account the volatility and liquidity of the relevant underlying instruments. Our group entity HYCM Capital Markets (UK) Limited, incorporated in the UK and authorized and regulated by the Financial Conduct Authority is the Liquidity Provider to all transactions entered into under the Customer Agreement.

A decrease in liquidity may adversely impact our spreads and our ability to quote a price. If there is a significant reduction or a temporary or permanent liquidity in an underlying instrument (e.g.: OIL), such events may be deemed as a Market Disruption Event. As such we may widen our spread, suspend trading or take any other action we consider reasonable in the circumstances. As a result, you may not be able to place trades or to close open positions.

### 14. REGULAR MONITORING

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Because of the effect of leverage and therefore the speed at which profits or losses can be incurred it is important that you monitor your positions closely. The Client understands that it is his/her responsibility to monitor his/her trades.

### 15. CLIENT MONEY AND COUNTERPARTY RISK

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In accordance with our regulatory framework, all client funds are held by HYCM in a designated client money bank account, segregated from the assets of the Company; and are subject to a right of off-set for all liabilities that you owe to us. No interest is due or will be paid in respect of Client Money.

Although we monitor the creditworthiness of our banks closely and select them on the basis of robustness and solidity this does not eliminate all risk. In the event that a bank at which the client bank account is held has become insolvent or has otherwise failed and is unable to return the full amount of funds held in the client bank account, you may not receive all the funds belonging to you. If on the other hand, HYCM were to go into liquidation, see section "*Compensation*" below.

In relation to CFDs, and given that a client is dealing with HYCM as the counterparty to every transaction, you will have an exposure to us in relation to each of your transactions and are reliant on our ability to meet our obligations to you under the terms of each transaction. This risk is sometimes described as '*counterparty risk*'.

Positions opened with us are not traded on any exchange. The prices and other conditions are set by us, subject to any obligations we have to provide best execution, to act reasonably and in accordance with our Customer Agreement and with our Order Execution Policy. Each CFD trade that you open through our Trading Platform results in you entering into a contract with us; these contracts can only be closed with us and are not transferrable to any other person.

## **16. COMPENSATION**

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HYCM participates in the Investor Compensation Fund for clients of Investment Firms regulated in the Republic of Cyprus. Clients will be entitled to compensation under the Investor Compensation Fund where we are unable to meet our duties and obligations arising from your claim. Any compensation provided to you by the Investor Compensation Fund shall not exceed twenty thousand euro (€20.000). This applies to your aggregate claims against us.

## **17. COMMUNICATION BETWEEN THE CLIENT AND THE COMPANY**

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The Client accepts the risk of any financial losses caused by the fact that he/she has received with delay or has not received at all any notice from HYCM.

The Client acknowledges that the unencrypted information transmitted by e-mail is not protected from any unauthorised access.

HYCM has no responsibility if unauthorized third persons have access to information, including electronic addresses, electronic communication and personal data, access data when the above are transmitted between us and the Client or when using the internet or other network communication facilities, or any other electronic means.

## **18. FORCE MAJEURE EVENTS**

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In case of a Force Majeure Event HYCM may not be in a position to arrange for the execution of Client Orders or fulfil its obligations under the agreement with the Client. As a result, the insolvency or default of HYCM could cause you to lose the value of all positions carried in your Account and could cause you to suffer additional losses from open positions. HYCM will not be liable for or have any responsibility for any type of loss or damage arising out of any force majeure events.

## **19. CONTACT US**

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Should you require any further information and/or have any questions about our Risk Disclosure and Warning notice please direct your request and/or questions to [info@hycm.com](mailto:info@hycm.com)