

## **OTC / EXCHANGE TRADED LEVERAGED INSTRUMENTS\*\*** **RISK DISCLOSURE STATEMENT - GENERAL**

### **\*\*Leveraged Instruments: Include Contracts for Differences (CFDs) and Extended Settlement Contracts (ESC)**

1. We are required by our Regulator to provide you with this risk disclosure statement for with respect to trading in Leveraged Instruments which are not covered by the requirements under section 128(1) of the Securities and Futures Act (Cap. 289). Extended Settlement Contracts and leveraged foreign exchange contracts are covered by the requirements under section 128(1) of the Securities and Futures Act (Cap. 289) but not Contracts for Differences transactions.
2. This statement does not however disclose all the risks and other significant aspects of trading in Leveraged Instruments. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to the risks. Trading in Leveraged Instruments may not be suitable for many members of the public. You should carefully consider whether such trading is appropriate for you in the light of your experience, objectives, financial resources and other relevant circumstances. In considering whether to trade, you should be aware of the following:

#### **(a) LEVERAGED INSTRUMENTS TRADING**

##### **(i) Effect of 'Leverage' or 'Gearing'**

Transactions in Leveraged Instruments carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract or leveraged foreign exchange transaction so that the transaction is highly 'leveraged' or 'geared'. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit; this may work against you as well as for you. You may sustain a total loss of the initial margin funds and any additional funds deposited with the firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice in order to maintain your position. If you fail to comply with a request for additional funds within the specified time, your position may be liquidated at a loss and you will be liable for any resulting deficit in your account.

##### **(ii) Risk-Reducing Orders or Strategies**

The placing of certain orders (e.g. 'stop-loss' orders, where permitted under local law, or 'stop-limit' orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. At times, it is also difficult or impossible to liquidate a position without incurring substantial losses. Strategies using combinations of positions, such as

'spread' and 'straddle' positions may be as risky as taking simple 'long' or 'short' positions.

##### **(b) LIQUIDITY**

OTC Leveraged Instruments may be very illiquid and may not have any secondary market, meaning that such instruments may be difficult to be sold within a reasonable time (if at all) or at a price which reflects its objectively perceived "fair" value. For some of such instruments it may even be difficult to get any reliable independent information about the value and risks associated with such instruments

##### **(c) ADDITIONAL RISKS COMMON TO OTC LEVERAGED INSTRUMENTS TRADING**

###### **(i) Form 13 Risk Disclosure**

The risks notified in the Risk Disclosure Statement required to be and which is being separately provided to you pursuant to section 128(1) of the Securities and Futures Act (Cap. 289) as common to Futures, Options and Leveraged Foreign Exchange are also risks common to OTC Leveraged Instruments.

###### **(ii) Off-Exchange Transactions**

Without detracting from the generally of (i) above, you should particularly note that OTC Leveraged Instruments are traded on an off-exchange basis and the firm with which you conduct your transactions (which may be ourselves or another firm if we act as your broker to effect a transaction with such firm) 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.

You should also note that where we act as your counter-party that this prima facie means that your loss is our gain and as such we will not in such transactions be acting as your fiduciary but in our own interests.

Before you undertake such transactions, you should familiarise therefore yourself with the applicable terms and attendant risks.