VM Vita Markets Ltd

(Regulated by the Cyprus Securities & Exchange Commission)

RISK WARNING

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Risk Warning

1. Introduction

The purpose of this Risk Warning Notice is to provide you (our Client and/or potential Client) with information on main types of risks you can face during trading in financial instruments and receiving investment and/or ancillary services from VM Vita Markets Ltd ("the Company"), as prescribed by the Investment Services and Activities and Regulated Markets Law of 2017 L.87(I)/2017, as subsequently amended from time to time ("the Law").

You should read this Notice carefully before requesting to open a trading account with the Company and before you start trading in financial instruments.

You should be aware that this document cannot and does not disclose all the risks and other significant aspects involved in dealing in financial instruments and that <u>there are significant risks in investing in the capital markets and that past performance is not a guide to or guarantee of future performance</u>.

If you do not understand the nature of financial instruments, their specific characteristics and the extent of your exposure to risk, you should not engage in trading in financial instruments. You should also be satisfied that the specific financial instrument(s) that you select is/are suitable for you in relation to your circumstances, financial position, investment objectives and ability to bear the loss of the entire invested amount. Some financial instruments are not appropriate for all investors. Different financial instruments involve different levels of risk and in taking decision whether to trade in such instruments you should be aware of the items listed below.

The Client hereby acknowledges and accepts that it has been properly notified by the Company with respect to the risks listed herein and acknowledges and accepts that any one or more of these risks could lead to loss which could, in certain circumstances, far exceed the initial Client's investments and capital.

2. Communication risks

2.1. The Client shall accept the risk of any losses arising as a result of delayed or unreceived communication sent by the Company to the Client.

2.2. The Client acknowledges that the unencrypted information transmitted by e-mail is not protected from any unauthorized access. The Company shall not bear responsibility for any loss that may occur as a result of unencrypted information sent to the Client by the Company that has been accessed via unauthorized means.

2.3. The Company shall bear no responsibility for any loss that may arise as a result of unauthorized access to the client's trading account by a third party.

3. Technical risks

3.1. The Company shall bear no responsibility for the risks of financial losses caused by failure, interruption, disconnection, malfunction or malicious actions of information, communication, electricity, electronic or other systems.

3.2. If the Client uses an electronic system for undertaking transactions, he will be exposed to risks associated with the system including the failure of hardware, software, servers, communication lines and internet failure. The Client shall acknowledge that the result of any such failure may be that his order is either not executed according to his instructions or it is not executed at all. The Company does not bear any liability in the case of such a failure.

3.3. The Client acknowledges that the internet may be subject to events which may affect his access to the Company's website or electronic trading system, including but not limited to interruptions or transmission blackouts, software and hardware failure, internet disconnection, public electricity network failures or hacker attacks. The Company is not responsible for any damages or losses caused by such events which are beyond its control or for any other losses, costs, liabilities, or expenses (including, without limitation, loss of profit) which may be caused by the Client's inability to access the Company's website or electronic trading system or delay/failure in sending orders or transactions.

3.4. The Company does not bear any liability in case of above risks materialization and the Client shall be responsible for all related losses he may suffer.

3.5. The Company employs backup systems and contingency plans to minimize the possibility of system failure.

4. Third Party Risks

4.1. The Company may transfer money received from the Client to a third party (e.g. an intermediate broker, a bank, a market, a settlement agent, a clearing house or OTC counterparty located outside Cyprus) to hold or control in order to effect a Transaction through or with that person. The Company has no responsibility for any acts or omissions of any third party to whom it will pass money received from the Client.

4.2. The third party to whom the Company will pass money may hold it in an omnibus account and it may not be possible to separate it from the Client's money. In the event of the insolvency or any other analogous proceedings in relation to that third party, the Company may only have an unsecured claim against the third party on behalf of the Client, and the Client will be exposed to the risk that the money received by the Company from the third party is insufficient to satisfy the claims of the Client with claims in respect of the relevant account. The Company does not bear any liability or responsibility for any losses that can occur.

4.3. The legal and regulatory regime applying to any such third party can be different from that of Cyprus and in the event of the insolvency or any other equivalent failure of that third party, the Client's money may be treated differently from the treatment which would apply if the money was held in a Segregated Account in Cyprus. The Company will not accept any liablity for the solvency, acts or omissions of any third party referred to in this clause. In general, accounts held with institutions, including omnibus account(s), face various risks, including the potential risk of being treated as one (1) account in case the financial institution in which the funds are held defaults. Under such circumstances any applicable deposit guarantee scheme may be applied without consideration of the Client as the ultimate beneficial owners of the Omnibus Account. In addition, resolution measures may be taken in such a case, including the bail in of Client funds.

4.4. There is a risk that a Bank or Broker to whom the Company deals with could have interests contrary to the Client's Interests.

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5. Force Majeure Events

The Company will not be liable or have any responsibility for any loss or damage, arising out of any failure, interruption, or delay in performing its obligations under this Agreement, including the Company's inability to arrange for the execution of Client Orders, where such failure, interruption or delay is due to a Force Majeure event.

6. General Investments Risks

Country risk

The country risk refers to the uncertainty associated with investing in a particular country, and more specifically the degree to which that uncertainty could lead to losses for investors. This uncertainty can come from any number of factors including political, economic, exchange-rate or technological influences.

Liquidity risk

Liquidity risk relates to the possibility of selling a financial instrument or closing out a position on the terms desired at any given time. It is the risk caused by the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Investments in some emerging markets, in certain non-highly traded securities can have high liquidity risk. Some financial instruments may not become immediately liquid as a result e.g. of reduced demand and the Client may not be in a position to sell them or easily obtain information on the value of these financial instruments or the extent of the associated risks

Currency risk

Currency risk, also known as "exchange risk", arises in the case of investments or transactions in foreign currency. The return and performance of such investments are strongly influenced by the exchange rate development of the foreign currency relative to the base currency. This means that exchange rate fluctuations may increase or decrease the return and value of such investments and may lead to losses for the Client.

The currency risk can be avoided by investing in financial instruments denominated only in the Client's domestic currency.

Credit risk

Credit risk refers to the possibility of the counterparty's default, i.e. the inability of one party to a transaction to meet its obligations such as dividend payments, interest payments, repayment of principal when due, or to meet such obligations for full value. It is also known as repayment risk or issuer risk.

Interest rate risk

The risk that losses will be incurred as a result of future movements in the market interest level is termed interest rate risk. Fluctuations in interest-rate levels on the money and capital markets have a direct impact on the prices of fixed-interest securities. Therefore, interest rates are a key component in many market prices and one of the main economic indicators. Interest rate risk influences on the value of bonds more directly than stocks, and it is a major risk to all bondholders.

Tax risk

Levels of tax, tax rules and tax relief are subject to change. You have sole responsibility for the management of your legal and tax affairs and if you are unclear as to what your position is, you should seek professional advice.

Change in law risk

If there is a change in law (including any regulation, rules or guidance) or market requirements which affects an investment, or the manner in which it is traded or held, additional costs may be incurred or in extreme circumstances investments lost.

Operational Risk

Operational risk is the risk of financial losses related to inadequacies or failure of systems and processes in the Company's daily business activities. This type of risk may be caused by internal and external factors such as violating of regulations or company policies and procedures, computer crime and theft, human errors or systems failures.

Market risk and Abnormal Market Conditions

The Client hereby acknowledges that Past performance of a Financial Instrument does not guarantee its current and/or future performance. The use of historical data does not represent a binding or safe forecast as to the corresponding future performance of the Financial Instruments to which the said data refers.

The Client should acknowledge that, regardless of any information or research material which may be offered by the Company, the value of any investment in Financial Instruments may fluctuate downwards or upwards and it is even probable that the investment may become of no value.

The Client should acknowledge that the transactions undertaken through the services provided by the Company can be of a speculative nature. As a result, significant losses may arise in a short period of time and even the whole initial deposit of the Client can be lost.

The Client acknowledges that under Abnormal Market Conditions the period during which the Orders are executed may be extended or it may be impossible for Orders to be executed at declared prices or may not be executed at all.

7. Investments Risks Related to Shares

Definition

Shares (stocks, equities) are securities evidencing an ownership interest held in a corporation. The most important rights of shareholders are the participation in the company's profits and the right to vote in the shareholders' meeting. Shares can be issued in bearer or registered form or may not be documented, other than on a private register.

<u>Dealing in shares may involve risks including but not limited to the following:</u>

Company risk

A share buyer does not lend funds to the company, but makes a capital contribution and, as such takes an ownership interest in the enterprise. Return forecasting from such an investment is difficult. An extreme case would be if the company became insolvent, and therefore the total sums invested could be lost.

Dividend risk

The yield on investments in shares is composed of dividend payments as well as price gains or losses and cannot be forecasted with certainty.

The dividend is the amount of a corporation's earnings distributed to shareholders. The amount of the dividend is decided by the shareholders' meeting and is expressed either as an absolute amount per share or as a percentage of the nominal value of the share.

The dividends mainly depend on the issuing company's earnings and on its dividend policy. Depending on the profitability of the corporation, dividend payments may be reduced or not made at all.

Price risk

Share prices may have unpredictable price fluctuations causing risks of loss. Share price may increase and decrease in short-medium and long-term sequence without possibility to determine the continuance of those periods. General market must be distinguished from the specific risk attached to the company itself. Both risks, jointly or in aggregate, influence share prices.

Liquidity risk

Tradability may be limited in the case of shares with a narrow market that is opposite of a liquid market (especially stocks quoted on the so-called "third market").

8. Investments Risks Related to Bonds / Fixed-income securities

Definition

Bonds / Fixed-income securities are negotiable debt instruments issued in capital markets with the purpose of capital raising. They obligate the issuer to pay to the holder of these securities periodic interest (coupon payments) on the capital invested and to pay back a nominal amount according to the bond terms.

The duration of the debt as well as the terms and conditions of repayment are determined in advance. Unless stipulated otherwise, the bond is repaid either at the maturity date, or by means of annual payments, or at different rates determined by drawing lots. The interest payments on bonds may be either (i) fixed for the entire duration or (ii) variable or often linked to reference rates (e.g. EURIBOR or LIBOR). The purchaser of a bond (the creditor) has a claim against the issuer (the debtor)

Trading bonds may not be suitable for all investors. In spite of the fact that bonds are often thought to be conservative investments, there are various risks involved in bond trading. If you are uncomfortable with any of the risks involved, you should not trade bonds.

<u>Dealing in fixed income instruments may involve risks including but not limited to the following:</u>

Interest rate risk

Uncertainty concerning interest rate movements means that purchasers of fixed-rate securities carry the risk of a fall in the prices of the securities if interest rates rise. The longer the duration of the loan and the lower the interest rate, the higher a sensitivity to a rise in the market rates of that debt instrument.

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Credit risk

Investing in corporate bond, you are lending money to an issuer of the bonds. There is always the risk that the issuer may become temporarily or permanently insolvent, resulting in its incapacity to repay the interest or redeem the debt instrument.

The solvency of an issuer may change due to one or more of a range of factors including the issuing company, the issuer's economic sector and/or the political and economic status of the countries concerned. The deterioration of the issuer's solvency will influence the price of the securities that it issues.

Therefore, the credit standing of the debtor should be considered in an investment decision. Credit ratings (assessment of the creditworthiness of a debtor) issued by independent rating agencies provide some guidance in this respect. The highest creditworthiness is "AAA". The lower the rating (e.g. "B" or "C") is, the higher is the repayment risk, but also the higher will be the yield (risk premium). This is a risk of which you must be aware.

Liquidity risk

Tradability of bonds depends on several factors, among which, the issued volume, time remaining to maturity, bond market rules and specific market conditions. You may not be able to sell some bonds easily without any price concessions or it may be impossible to send them at all, so it can happen that you have to hold them until the maturity date. Liquidity risk should be the main concern of investors if they do not wish to hold the bond until maturity.

Prepayment risk

Prepayment risk involves the situation where an issuer "calls" a bond. In case it happens, your investment will be paid back early. Some bonds are callable and others are not, and this information is detailed in the prospectus of bonds emission. If a bond is callable, the prospectus will detail a "yield-to-call" figure. Corporations may call their bonds when interest rates fall below current bond rates.

A "put" provision gives an investor the right to redeem a bond at par value before it matures. Bondholders may do this when interest rates are increasing and they can get higher rates elsewhere. Specific dates to take advantage of a put provision are assigned by the issuer. Prepayment risk is figured into the price of bonds.

Early redemption risk

The issuer of a debt instrument may include a provision allowing early redemption of the bond if market interest rates fall. Such early redemption may result in a change to the expected yield.

In summary the trading in bonds may involve risks including but not limited to the following: credit risk, prepayment risk, market risk, country risk, liquidity risk, exchange risk (in the case of foreign currency bonds) and interest-rate risk.

Additional risks may be associated with certain types of debt instrument, for example floating rate notes, reverse floating rate notes, zero coupon bonds, foreign currency bonds, convertible bonds, reverse convertible notes, indexed bonds, and subordinated bonds. For such instruments, you are advised to make inquiries about the risks referred to in the issuance prospectus and not to purchase such securities before being certain that all risks are fully understood. In the case of subordinated bonds, you are advised to enquire about the ranking of the debenture compared to the issuer's other debentures. Indeed, if the issuer becomes bankrupt, those debt instruments will only be redeemed after repayment of all higher ranked creditors and as such there is a risk that you will not be reimbursed. In the case of reverse convertible notes, there is a risk that you will not be entirely

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reimbursed, but will receive only an amount equivalent to the underlying securities at maturity

9. No recommendations

VM Vita Markets Ltd does not in any of its Publications take into account any particular recipient's investment objectives, special investment goals, financial situation and specific needs and demands. Therefore, all publications of the Company are, unless otherwise specifically stated, intended for informational and/or marketing purposes only and should not be construed as:

- business, financial, investment, hedging, legal, regulatory, tax or accounting advice;
- a recommendation or trading idea; or
- any other type of encouragement to act, invest or divest in a particular manner

(collectively "Recommendations").

VM Vita Markets Ltd shall not be responsible for any loss arising from any investment based on a perceived Recommendations.

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- any delay, inaccuracy, error, interruption or omission in providing market quotations; and
- any discontinuance of market quotations.

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If a Publication becomes outdated the Company shall be under no obligation to:

- update the Publication;
- inform the recipients of a Publication; or
- perform any other action.

Any Publication may be personal to the author and may not reflect the opinion of the Company. VM Vita Markets Ltd reserves the right at its sole discretion to withdraw or amend any Publication or Information provided at any time without notice (prior or subsequent).

11. Use of the website

The Company shall not be liable for any damage or injury arising out of any person's or entity's access to, or inability to access, any website of the Company. This limitation includes, but is not limited to, any damage to computer equipment and computer systems caused by virus, malware and any other harmful computer coding.

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Consulting a website of the Company does not constitute a customer relationship and the Company shall not have any duty or incur any liability or responsibility towards any person or entity as a result of such person or entity consulting a website of the Company.

12. No Guarantees of Profit

The Company does not provide any guarantees of profit or of avoiding losses when you are engaged in trading in financial instruments. You are aware of the risks arising from trading and are financially able to bear such risks and withstand any losses incurred.