

This is the Risk Disclosure and Warnings Notice of FlowBank SA ("FlowBank", "we" or "us").

**This notice is provided to our clients and our prospective clients (both our "Clients") because they are proposing to undertake dealings in financial instruments in the form of Contracts for differences ("CFDs") on currency pairs and on various other instruments with FlowBank (each a "Transaction").** The purpose of this notice is to help our Clients understand the nature and risks of our products and services. **However, this document cannot and does not disclose or explain all of the risks and other significant aspects involved in dealing in CFDs.** All Clients should take sufficient time to read carefully all the information provided, including the risk disclosure and warnings contained in this document, FlowBank's Terms and Conditions, Order Execution Policy, Conflict of Interests Policy and Privacy Notice before applying to FlowBank for a trading account and before they begin to trade with FlowBank.

CFDs give their holders exposure to an underlying asset. This underlying asset may be a security (e.g. shares of a company), an index, an exchange rate between two currencies, a treasury product, a bullion, a commodity or such other investment as we may indicate in the trading interface of the Client's account. Clients who wish to deal in CFDs where the underlying is a foreign exchange (or "forex") instrument or a precious metal (or "bullion") should refer to our specific risk disclosure relating to risks in forex and bullion transactions. CFDs are instruments traded over-the-counter and Clients should also refer to our risk disclosure relating to over-the-counter derivatives.

#### **INVESTING IN CFDS PRESENTS SIGNIFICANT RISKS**

**Trading CFDs is highly speculative, involves a significant risk of loss and is not suitable for all investors. Few investors manage to generate gains when trading CFDs, and our statistics show that, among accounts held by our Clients who are private Clients<sup>1</sup>:**

- **76% lose money when trading CFDs;**
- **0.15% investors accounts had losses exceeding their deposits when trading CFDs with this provider<sup>2</sup>.**

Generally, investing in CFDs is suitable only for those Clients who:

- understand and are willing to assume the economic, legal and other risks involved;
- are experienced and knowledgeable in trading in derivatives and in the underlying asset types; and
- are financially able to assume losses significantly in excess of their investment.

CFDs are not appropriate investments for retirement funds. CFD transactions are amongst the riskiest types of investments and can result in large losses. **The Client represents, warrants and agrees that he/she understands these risks, is willing and able, financially and otherwise, to assume the risks of trading CFDs and confirms that the loss of the Client's entire account balance will not change the Client's lifestyle, being specified that the Client's losses might significantly exceed the account balance.**

#### **CFDS ARE NON-STANDARDIZED INSTRUMENTS**

<sup>1</sup> Private Clients are Clients who are neither professional nor institutional Clients.

<sup>2</sup> The figures are updated quarterly and based on the previous twelve months' statistics.

**Unlike exchange-traded options and futures, CFDs are non-standardized instruments.**

Clients are strongly advised to carefully consider this notice as well as other contractual documents made available by FlowBank regarding CFDs, as CFDs offered by FlowBank may differ significantly from instruments bearing the same name but different characteristics offered by other financial institutions.

The Clients should not engage in this form of investing unless they understand the nature of the Transaction they are entering into and the true extent of their exposure to the risk of loss. **Among accounts held with us by private Clients, 76% lose money when trading CFDs<sup>3</sup>.**

The Client's profit and loss will vary according to the extent of the fluctuations in the price of the underlying assets of the relevant CFDs. The Client's losses could significantly exceed the Client's initial deposit. In case of any doubt, the Client should seek independent professional advice.

When entering into a Transaction on CFDs:

- neither party acquires any interest in or right to acquire or is obliged to sell, purchase, hold, deliver or receive the underlying asset;
- neither party acquires any voting rights or other right attached to the underlying asset; and
- the rights and obligations of each party under the Transaction are principally to make and receive such related payments.

All Transactions are legally binding upon and enforceable against both parties, in accordance with the terms of such Transactions as described in the Clients' accounts.

***FLOWBANK IS THE COUNTERPARTY OF THE CLIENTS***

Transactions with FlowBank are not transacted on a recognized or designated investment exchange, but are off-exchange, "over-the-counter" (OTC) derivatives. CFDs are non-transferable. This means that the Clients enter into Transactions directly with FlowBank, as counterparty, and that those Transactions can only be closed with FlowBank. Any order placed by the Clients on their accounts to enter into a Transaction is therefore a request to FlowBank to enter into the Transaction as counterparty.

To open or close a position on CFDs with FlowBank, the Clients are therefore solely dependent on FlowBank's ability or willingness to enter into a Transaction to close or open the relevant position. We may in particular refuse to enter into Transactions depending on the conditions in the market of the underlying asset of the CFDs or if we otherwise deem it necessary for our own protection.

As a counterparty to the Clients, FlowBank is responsible for determining the pricing of CFDs, including determining the price of the underlying assets used as reference for the pricing of the CFDs, as well as any spread or mark-up that may be applied by FlowBank in its discretion. FlowBank may therefore quote, and **Transactions on CFDs may therefore be entered into at, prices that differ from the pricing of the underlying assets.** For example, especially when the market on which the underlying assets are traded is closed, FlowBank's quotation can be influenced by the trading activity of other Clients who are buying or selling CFDs with FlowBank.

***EFFECT OF "LEVERAGE" OR "GEARING"***

FlowBank may allow the Clients to enter into Transactions using "leverage" or "gearing". In such a case, the Clients will be allowed to acquire and maintain a position on CFDs with a margin that

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represents only a portion of the total investment amount. For example, we may allow a Client to open a position in a CFD for an overall value of CHF 100,000, provided the Client maintains a margin of initially CHF 10,000 (the leverage being, in such a case, of 1:10).

**For certain investors, using leverage is not suitable. Using leverage greatly increases the impact of market movements affecting the underlying asset.** For example, when trading with a 1:10 leverage, a 10% decrease in the price of the underlying asset means the entire amount invested by the Client is lost.

The Client should, therefore, consider carefully whether they are suitable for him/her in the light of personal circumstances and financial resources and investment objectives. If the underlying market movement is in the Client's favor, a good profit may be achieved, but an equally small adverse market movement can not only quickly result in the loss of the Client's entire deposit but may also expose him/her to a large additional loss over and above the initial deposit.

Although FlowBank's platforms have features that are designed to help minimize the Clients' risk of loss (such as the use of "stop loss" instructions), these features are provided "as is" and without any guarantee that they will function as intended. The Clients should consequently not rely on such features to manage their risk exposure. Further, although we may put in place certain measures to liquidate positions and prevent situations where the Clients owe money to FlowBank, such measures are designed to protect FlowBank and not the Clients.

### **MARGIN REQUIREMENTS**

When entering into a Transaction using leverage, the Client will be required to comply with margin requirements, as described in FlowBank's Terms and Conditions and as communicated to the Client through his/her account with FlowBank. Margin requirements can evolve at any time. In particular, **FlowBank can decide to increase margin requirements at any time**, in its sole discretion. To maintain his/her position, **the Client may therefore be required to deposit substantial additional margin, at very short notice**. If he/she does not provide such additional funds within the required timeframe, the Client's positions may be closed and his/her assets deposited with FlowBank may be sold at a profit or loss and the Client will be liable for any resulting deficit. In order to ask the Client to provide additional margin, FlowBank is entitled to send Notices (as defined in FlowBank's Terms and Conditions) to the Client, attempt to contact the Client via phone or display a corresponding message on the Client's account. The Client should ensure he/she monitors his/her positions closely and always has access to our platforms when he/she has open positions or pending orders.

To the extent permitted by law, **FlowBank may decide not to notify the Client that additional margin is required** and instead close the Client's relevant positions. If it decides to ask the Client to provide additional margin, **FlowBank may also set very short deadlines to provide additional funds, or amend the deadlines it had previously set**.

If margin requirements are not satisfied, we are entitled to close the Client's positions without delay. Liquidating positions due to insufficient margin may cause substantial losses for the Client. Entering into Transactions using leverage **involves a high risk to lose, in a very short time, all the money deposited with FlowBank and possibly substantially more**. Our statistics show that, **among accounts held by our Clients who are private investors, 0.15% incurred losses exceeding their deposits when trading CFDs<sup>4</sup>**.

### **RISKS RELATED TO LONG CFD POSITIONS, I.E. FOR PURCHASERS OF CFDs**

<sup>4</sup> Private clients are clients who are neither professional nor institutional clients. The figure is updated quarterly and based on the previous twelve months' statistics.

Being long in CFD means the Client is buying the CFDs from FlowBank by speculating that the market price of the underlying asset will rise between the moment the position is opened and the moment it is closed. As owner of a long position, the Client will generally make a profit if the market price of the underlying rises whilst the Client's CFD long position is open. On the contrary, the Client will generally suffer a loss, if the market price of the underlying falls whilst the Client's CFD long position is open. The Client's potential loss may be bigger than the initial margin deposited. In addition, the Client might suffer a loss due to the closure of his/her position, in case the Client does not meet the margin requirements set by FlowBank in order to maintain his/her position open.

#### ***RISKS RELATED TO SHORT CFD POSITIONS, I.E. FOR SELLERS OF CFDS***

Being short in CFD means the Client is selling the CFDs to FlowBank by speculating that the market price of the underlying asset will fall between the moment the position is opened and the moment it is closed. As owner of a short position, the Client will generally make a profit if the market price of the underlying asset falls whilst the Client's CFD short position is open. On the contrary, the Client will generally suffer a loss if the market price of the underlying asset rises whilst the Client's CFD short position is open. The Client's potential loss may therefore be bigger than the initial margin deposited. In addition, the Client might suffer a loss due to the closure of his/her position, in case the Client does not have enough equity for the margin on his/her account in order to maintain his/her position open. Losses on short positions can be infinite, because the underlying asset can, in theory, rise without limit.

#### ***COSTS AND CHARGES***

Before the Client enters into a Transaction, he/she should make sure to have read and understood FlowBank's costs and charges, which can be found on FlowBank's website. Trading costs and charges can reduce the effectiveness of trading strategies.

#### ***CASH SETTLEMENT***

The Client understands that CFDs can only be settled in cash and that no delivery of the underlying asset will be effected when a position in CFDs is closed.

#### ***NO ADVICE***

FlowBank does not provide any advice, including investment, tax, legal, regulatory or financial advice. Any information provided by FlowBank to Clients is purely factual and does not take into account any personal circumstances (for example available funds and risk appetite). In response to a Client's enquiry, FlowBank may provide factual market information or information relating to a Transaction, including as to FlowBank's procedures, potential risks involved and how those risks may, in general, be minimized. The provision of such information is not and must not be construed as an advice of any kind. Any decision to use our products is solely the Client's decision, and he/she may wish to obtain independent professional advice from a suitably qualified advisor on any investment, financial, legal, regulatory, tax or similar matter before dealing with FlowBank.

Furthermore, FlowBank does not examine whether the Transactions chosen by the Client are appropriate, suitable or recommended in view of the Client's situation. It is up to the Client to assess whether his/her financial resources are adequate and what level of risk to take. Any decision made by

the Client regarding the opening of an account or the entering into a Transaction is the Client's sole responsibility.

### **CURRENCY RISK**

Investing in CFDs denominated in or having an underlying asset traded in a currency other than the Client's base currency (*i.e.* the currency in which the Client's cash deposits on the accounts are denominated) entails a currency risk. In case of a CFD denominated in another currency, the cash payment that may be made to the Client when the position is closed will be converted into the base currency by FlowBank (at the exchange rate determined by FlowBank), which may affect the value of the Client's return. If the CFD is denominated in the base currency but has an underlying asset traded in a different currency, the value of the CFD will be affected by the foreign exchange rate between the relevant currencies.

Clients who invest in CFDs having forex instruments or bullions as their underlying asset should also refer to FlowBank's specific risk disclosure relating to risks in forex and bullion transactions.

### **MARKET FLUCTUATIONS RISK (GAPPING, VOLATILITY, LIQUIDITY)**

Trading conditions affecting the underlying assets may prevent the Clients from closing positions. This may occur, for example if trading the underlying asset is restricted or suspended, or in when volatility is unusually high. In these circumstances, FlowBank may be unable or unwilling to enter into any Transaction on CFDs, including where the purpose of such Transaction would be to close an existing position. The risk that the situation of the underlying assets will affect the Clients' ability to trade CFDs is generally greater with respect to underlying assets traded abroad, and especially in emerging markets. Those markets may be subject to less stringent supervision, have greater or more rapid market fluctuations or be less liquid. Foreign exchange markets, exchange controls and foreign laws and regulations may also limit FlowBank's ability to provide quotes for CFDs on foreign underlying assets generally.

FlowBank provides different ways to limit the risks of Transactions, including the use of "stop loss" instructions. A stop loss is an instruction to liquidate a position when it reaches a certain level (typically when it drops below a certain value). A stop loss however offers no guarantee that the position will indeed be liquidated at the designated level, because a "gapping" or "slippage" has occurred.

A gapping or slippage means that the price of the CFD has moved below the level of the stop loss. A gapping may occur because FlowBank is unwilling or unable to quote prices and enter into a Transaction at the stop loss level (or at a better price) for a certain period of time, for example due to the market of the underlying asset being unusually volatile. In such a case, **FlowBank will close the position to which the stop loss applies as soon as FlowBank is again willing or able to enter into Transactions, even if such price is less favorable to the Client than the stop loss level.** Accordingly, where the Client has an open position in a volatile market environment, he/she must understand the potential impact of gapping.

### **TECHNOLOGY RISKS**

FlowBank offers its Clients the opportunity to deal and communicate via electronic means, for example through FlowBank's dealing platform and by email. Although electronic communication is often a reliable way to communicate, no electronic communication is entirely reliable or always available and

often outside of FlowBank's control. If the Client chooses to deal with FlowBank via electronic communication, the Client should be aware that electronic communications can fail, can be delayed, may not be secure and/or may not reach the intended recipient.

FlowBank provides a telephone dealing service during the quoting hours of FlowBank's full product universe, as indicated in the pricing sheet available on FlowBank's website. Therefore, in case a Client is unable to access the trading platforms or submit instructions online, he/she should phone the Dealing Line as published on the FlowBank website under the "Contact Us" page.

#### **LIMITED CLIENT FUND PROTECTION**

As a Swiss Bank, FlowBank is required to be a member of esisuisse, which is the deposit insurance scheme that guarantees client money held with Swiss branches of banks and securities firms up to 100,000 CHF per client, per bank. All relevant information on the deposit insurance can be found at [www.esisuisse.ch/en](http://www.esisuisse.ch/en).

The deposit insurance scheme only covers cash deposits. It does not cover open positions in CFDs.