CTS Cloud Trading Solutions Ltd

MiFID II Disclosures

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75 Athalassas Avenue, Nicosia - 2012, Cyprus | Tel: + 357 22-000877

1. Introduction

CTS Cloud Trading Solutions Ltd, previously registered as Novox Capital Ltd, (the "**Company**", "**CTS**") is a Cyprus Investment Firm authorised and regulated by the Cyprus Securities & Exchange Commission (the "**CySEC**"), under License No.: 224/14.

The MiFID II Disclosures Statement (the "**Statement**") provides an overview of the various risks that may arise in respect of trading with financial instruments. Specifically, the Statement provides clients with information regarding the risks associated with trading and other significant aspects of trading in financial instruments. More information on the specific risks arising from trading with CFDs can be found in the *Risk Disclosures Statement*.

In light of the risks, clients should undertake such transactions only if they understand the nature of the financial instruments transaction into which they are entering and the extent of exposure to various risks. If you require any further information on potential risks generally or relating to a specific financial instrument, please seek advice from an independent expert specialising in finance, accounting, legal and tax areas.

2. Inherent Risks related to Financial Transactions

a) Credit Risk

Deterioration in solvency or, even worse, the bankruptcy of a borrower, meaning at least a partial loss of the capital invested.

b) Inflation Risk

Inflation can reduce the value of an investment. The purchasing power of the invested capital declines if the rate of inflation is higher than the return generated by securities.

c) Market Risk

Market risk reflects the extent to which the return of the security varies in response to, or in association with, variations in the overall market returns. If the market value of an investment declines, assets are reduced. Credit, country and interest rate risks in particular have an impact in the form of price fluctuations. All investments are exposed to this risk.

d) Country Risk

Country risk refers to the likelihood that changes in the business environment (for example, financial factors, such as currency controls, devaluation, regulatory changes or stability factors such as mass riots, civil war and other potential events contributing to companies' operational risks) will affect operating profits or the value of assets in a specific country.

This term is also sometimes referred to as political risk, which generally only refers to risks affecting all companies operating within a particular country.

e) Liquidity Risk

Declining exchange rates reduce the value of investments in foreign currencies. However, the foreign exchange market also offers opportunities for profits. The currency risk can be eliminated by investing only in domestic currency.

However, companies operating on an international scale are to a certain degree exposed to exchange rate trends risks. Such trends can therefore also exercise an indirect influence on the price movements of securities.

f) 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- Rising interest rates usually have a negative impact on the market prices of equities and bonds. By contrast, falling interest rates have a positive impact on prices.

g) Operational Risk

Operational risk is the risk of loss arising from inadequacies in, or failures of system and controls for, monitoring and quantifying the risks and contractual obligations associated with financial instruments transactions, for recording and valuing financial instruments and related transactions, or for detecting human error or systems failures.

h) Legal Risk

If there is a change in laws and regulations which affect an investment, or the manner in which it is traded or held, additional costs might be incurred or, in extreme circumstances, investments lost.

Also, some markets investments or the holding of each may be subject to different or diminished investor protection and the protections accorded money or other property client deposits in respect of transactions, which may put client's assets at additional risk.

i) Performance Risk

No assurance can be given relating to the present or future performance of a company or fund. Diminished performance, or performance proved lower than expected, can cause the price of the issuer's securities (net asset value of the fund) to fall.

j) Settlement Risk

This is a sub-type of operational risk which may arise due to the non-settlement or delay in settlement of financial instruments, or failure to deliver securities due to illiquid market conditions in respect of the specific securities at any given time, with the securities difficult to source.

k) Tax Risk & Fraud Risk

<u>Tax Risk</u>: A change in tax law to impose a new tax on the transfer or holding of an instrument could result in costs being incurred when realising one’s investment.

<u>Fraud Risk</u>: If there is fraud in relation to investments held by a client, then the client may be at risk of losing its investment.