



CTS Cloud Trading Solutions Ltd

Risk Disclosures
October 2023



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 Risk Disclosures Statement (the “**Statement**”) provides an overview of the various risks that may arise in respect of financial instruments that you may trade with CTS. Specifically, the Statement provides clients with information regarding the risks associated with Contracts for Differences (the “**CFDs**”) which are provided to clients by CTS.

The Company does not intend this Statement to cover all possible risks of an investment product, and clearly the risks of a specific financial instrument can vary significantly depending on a number of factors. 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. CTS Investment Services

The Company’s services are provided on an execution basis solely. CTS, based on its authorisation license, acts as a principal in terms of execution, but does not provide any kind of investment advice to its clients relating to CFDs trading. The services of CTS are available to Retail & Professional Clients, as well as Eligible Counterparties. CFDs are high risk and complex financial products, generally used for speculative purposes, which are not suitable for all types of clients.

CFDs are financial derivative products that pay the difference in settlement price between the opening and closing of a trade, which provide a way of trading on the price movement of stocks, commodities, forex and cryptocurrencies without owning them. It should be stressed that CFDs involve greater risk than investing in on-exchange products, as market liquidity cannot be guaranteed, and it may be more difficult to liquidate an existing position. The prices and other conditions are set by us in accordance with our obligation to provide best execution as included in our *Order Execution Policy*.

3. Trading with CFDs

Trading CFDs is highly speculative, involves a significant risk of loss and is not suitable for all investors. This is a very risky type of investment and can result in significant losses for the client. In general, CFDs may be considered suitable, for the type of clients who:

- understand and are willing to assume the economic, legal and other risks involved;
- are experienced and knowledgeable about trading in derivatives and in underlying asset types; and



- are financially able to assume losses significantly in excess of margin or deposits because investors may lose the total value of the contract not just the margin or the deposit.

Contracts for Differences are not appropriate or suitable investments for retirement funds. These types of transactions are amongst the riskiest types of investments and can result in large losses. Trading with products offered by CTS, 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 that the loss of his/her entire account balance will not affect his/her lifestyle.

4. Past Performance of CFDs

Past performance of CFD instruments should not be considered as a reliable indicator of its future performance, hence, clients should be cautious enough to not base his/her investment decision on past performance indicators of any kind.

5. Market Liquidity Risks

This type of risk relates to the client's inability to liquidate his/her position in a specific period of time, especially during uncertain market conditions, which may vary and/or significantly change in a short period of time. Briefly, there is a risk that the CFD of a client may not be traded at the time the client wishes to trade. CTS takes into consideration the markets for the relevant underlying assets, when setting prices, spreads and size limits.

6. High-Leverage & Low-Margin

The high degree of leverage is a particular feature of CFDs; hence, the overall effect of leverage makes investing in CFDs riskier than investing directly in the underlying asset. This stems from the margining system applicable to CFDs which generally involves a small deposit relative to the actual size of the transaction.

This means that even a relatively small price movement in the underlying asset can have a disproportionately dramatic effect on the client's trade. This can be both advantageous and highly disadvantageous. A small price movement in favour of the client can provide a high return on the deposit, however, a small price movement against the client's position may result in significant losses.

In summary, the greater the leverage, the greater the risk for clients, so the size of leverage may also determine the result of the client's investment.

7. Risks Related to long CFD positions

Being long in CFDs means that the client is buying the CFDs on the market by speculating that the market price of the underlying will rise between the time of the purchase and sale. As owner of a long position, the client will generally make a profit if the market price of the underlying rises whilst the 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 CFD long position is open. The potential loss may therefore be bigger than the initial margin deposited. In addition, the client may suffer a loss due to the closure of the position, in the event of not enough liquidity for the margin on the trading account in order to maintain the position open.

8. Risks Related to short CFD positions

Being short in CFD means that the client is selling the CFDs on the market by speculating that the market price of the underlying will fall between the time of the purchase and sale. As owner of a short position, the client will generally make a profit if the market price of the underlying falls whilst the CFD short position is open.

On the contrary, the client will generally suffer a loss, if the market price of the underlying rises whilst the CFD short position is open. The potential loss may therefore be bigger than the initial margin deposited. In addition, the client may suffer a loss due to the closure of the position, in case of not enough liquidity for the margin on the trading account in order to maintain the position open.

9. Cash Settlements Only

CTS clients understand that CFDs can only be settled in cash and the difference between the buying and selling price partly determines the result of their investment.

10. Underlying Assets Rights

It should be noted that clients have no rights or obligations in respect of the underlying instruments or assets relating to their CFDs. CTS clients understand that CFDs can have different underlying assets, such as stocks, indices, currencies, commodities etc.

11. Currency Risks

Investing in CFDs with an underlying asset listed in a currency other than the client's base currency entails a currency risk, due to the fact that when the CFD is settled in a currency other than the client's base currency, the value of return may be affected by its conversion into the base currency.

12. Long-Term Investors

Investing in CFDs is not considered suitable for long-term investors, as holding a CFD open for a long period leads to an increase in the associated costs. It may be more beneficial for such clients to buy the underlying asset instead.

13. CTS is not an advisor nor a fiduciary

The Company is not acting as an advisor or is serving as a fiduciary to clients. Therefore, clients agree that CTS has no fiduciary duty towards them and no liability in connection with potential losses and is not responsible for any liabilities, claims, damages, costs, and expenses, including attorneys' fees, incurred in the event where clients followed the Company's generic trading recommendations by either taking or not taking any actions based upon such generic recommendations and/or information provided by CTS.

14. No profit guarantees

There are no guarantees of profit nor of avoiding losses when trading CFDs. CTS clients have received no such guarantees from the Company or from any of its representatives. Clients should be also aware of the risks inherent in trading CFDs and are financially able to bear such risks and withstand any losses incurred. More information on the inherent risks of trading, can be found in *MiFID II Disclosures*.

15. ICF Compensation

CTS participates to the Investor Compensation Fund in Cyprus, where clients are entitled to specific compensation in case the Company is unable to meet its duties arising from a legitimate and valid claim. Certain conditions need to be met for such claims and the total compensation shall not exceed the amount of EUR 20,000.00 or 90% of the covered claim. More information can be found in *ICF Statement*.