

## DECLARATION OF INVESTMENT RISK (OTC)

### **1. General provisions**

- 1.1. The subject of this Declaration (hereinafter referred to as "**Declaration**") is to inform the Client about financial risks related to trading in over-the-counter (OTC) Financial Instruments.
- 1.2. This Declaration describes essential, yet not all types of risks related to trading Financial Instruments.
- 1.3. This document forms an integral part of the Regulations on the provision of services consisting in the execution of orders to buy or sell property rights, keeping property rights accounts and cash accounts by XTB Limited. "GTC". The terms used in this document with the use of capital letters shall have the meaning as specified in the Regulation.

### **2. Risk elements in relation to Financial Instruments**

- 2.1. Trading in Financial Instruments which value is based on securities, futures, currency exchange rates, prices of raw materials, commodities, stock exchange indices or prices of other Underlying Instruments involves specific market risk related to the quoted Underlying Instrument.
- 2.2. Specific market risk for a particular Underlying Instrument includes, in particular, the risk of political changes, changes in economic policy, as well as other factors which may considerably and permanently influence the conditions and rules of trading and valuation of a particular Underlying Instrument.
- 2.3. In case of the high volatility or limited liquidity of the market for the Underlying Instrument, XTB may increase, without the prior notice, the Spread on Financial Instruments. In particular, liquidity on Underlying Instruments is largely limited during the opening phase of the market on Sunday at 11:00 p.m. and in consequence XTB commences trading with an increased level of Spread. Standard spread values are restored as fast as the liquidity and the volatility of the underlying market allows. Usually this process takes not more than 10-20 minutes, however in cases of limited liquidity or large volatility the process may take longer.
- 2.4. For Financial Instruments quoted with variable Spread (floating Spread) chosen by the Client point 2.3 above shall not apply and Spread is variable and reflects the market price of an Underlying Instrument. Such a variable Spread is part of market risk and may negatively influence overall costs associated with the Transaction.

### **3. Financial leverage risk in relation to Financial Instruments**

- 3.1. Financial Instruments are contracts that largely employ financial leverage mechanism. Nominal value of the Transaction may largely exceed the value of the deposit, which means that even subtle changes of the price of an Underlying Instrument may considerably influence Client's particular Account's balance.
- 3.2. The Margin deposited by the Client may secure only part of the nominal amount of the Transaction, which determines high potential profit, but also the risk of heavy losses for the Client. The losses might in certain particularly unfavorable circumstances consume all financial resources gathered on particular Client's Accounts.

#### **4. The risk of occurrence of the Force Majeure**

- 4.1. Client accepts that in certain situations, in which normal activity of XTB is disrupted by the events of the Force Majeure or other events that are beyond XTB's control, the execution of the Client's Order might be impossible or Client's Order may be executed on conditions less favorable than it results from the GTC, Order's Execution Policy or from this Declaration.

#### **5. Execution time**

- 5.1. In standard market conditions, XTB confirms Client's Orders execution within 90 seconds. This condition, however, does not apply to a period when market is opening, as well as to other situations when on the particular market there is an exceptional volatility of prices of the Underlying Instrument or the loss of liquidity, as well as in other situation which are beyond XTB's control.
- 5.2. In some situations the confirmation of the execution of a Transaction on an Equity CFD is only available after a relevant Underlying Instrument order was executed or placed on the Underlying Exchange. As soon as XTB receives the electronic confirmation of such transaction, it becomes a basis for Equity CFD price and as such is visible in the Trading Account.
- 5.3. An Open Position on CFD shall be closed without Client's consent after 365 days from the date of opening the position unless:
- a. the Client closes the position;
  - b. XTB exercises the right to close Client's Transaction beforehand in situations specified in the GTC.

#### **6. Price of a Financial Instrument**

- 6.1. For Financial Instruments with market execution the prices shown in the Trading Account should be deemed as indicative and it is not guaranteed that the Client will deal at these quotations. The execution price of Client's Order will be based on the best price which XTB can offer at the particular moment without obtaining any additional confirmations from the Client. The current price of a Financial Instrument with market execution at which the Transaction is concluded will be reported back by XTB. The price of a concluded Transaction will be visible in the Trading Account.
- 6.2. Client acknowledges that the quotations published via Trading Account may contain errors. The aforesaid errors cause that the price of the XTB's Financial Instrument may deviate from the Underlying Instrument price, on which it is based, in such a manner that it does not reflect the market price of the Underlying Instrument, and due to this fact it shall be recognised as erroneous. The Client as an investor prior to the conclusion of the Transaction shall acquaint himself with the approximate current market price of the Underlying Instrument. Risk of error in the price of Financial Instrument and the rights and obligations of the parties of the Agreement are described in the GTC. Client should specifically acquaint himself with these conditions before trading in XTB.
- 6.3. Offers, orders or transactions presented by XTB coming from Foreign Partners, based on which certain CFDs' price is determined, may be cancelled or withdrawn for reasons beyond XTB's control. In such case, XTB has the right to withdraw from respective Transaction concluded by the Client.

#### **7. Equity CFD**

- 7.1. In case of some Equity CFDs when a Client enters a short position XTB will offset this position with a short sale of an Underlying Instrument. Such transaction may result in an additional borrowing cost for Underlying Instruments that are hard to borrow. In such cases these cost may heavily influence the swap points charged for a short position on Equity CFDs. For detailed description of swap points charges please refer to Condition Tables and the GTC.

- 7.2. In some circumstances transactions concluded on particular Underlying Instruments on the Underlying Exchange may be cancelled. In such case, XTB has the right to cancel relevant corresponding Equity CFD's Transactions with the Client.
- 7.3. If an Underlying Instrument for the Equity CFD is being delisted on an Underlying Exchange and at the time of delisting there are still open positions in the relevant Equity CFDs, XTB has the right to close such positions without prior notification of the Client.
- 7.4. Client should specifically acquaint himself with conditions of trading Equity CFDs described in the GTC and Order's Execution Policy before trading with XTB.

## **8. Stop out mechanism**

- 8.1. If the Equity or Balance on the Trading Account falls below certain value, XTB may at any time close any of the Client's Open Position in accordance with the rules specified respectively for CFDs and Options in the GTC. Client should specifically acquaint himself with those rules before trading with XTB
- 8.2. Stop out mechanism in normal market conditions hedges particular Trading Accounts balance against falling below the value of the deposited funds.
- 8.3. Should unfavorable market conditions arise, in particular if a price gap occurs, the execution price of closing position with the stop out mechanism may be so unfavorable that the losses suffered may fully consume the balance on particular Client's Accounts.

## **9. Terms and conditions of keeping the Account**

- 9.1. Prior to signing the Agreement, the Client should acquaint himself and accept all costs and charges related to the execution of the Agreement. It concerns in particular all costs of keeping and maintaining the Accounts, all costs and commissions related to the conclusion of Transactions, swap point rates and all other fees and commissions charged by XTB in accordance with the Agreement.

## **10. Technological limitations and Beta Services**

- 10.1. Signing a binding Agreement shall mean that the Client knows and accepts specific technological features of the trading platforms and Trading Accounts provided by XTB. It concerns in particular the manner of Trading Account functioning, the manner of Orders' execution, the possibility of limitations in the access to the Accounts through electronic means, that arises due to possible malfunctioning of services provided by third parties that supply telecommunication, hardware or software infrastructure. The Client shall bear all consequences and costs arising from lack of access to the Accounts and from any limitations in opportunities to execute a Transaction through electronic means and by telephone that are caused by reasons that are beyond XTB's control.
- 10.2. Trading Accounts may be temporarily suspended for reasons that are beyond XTB's control. This may disable, delay or in other way affect the Transaction's proper execution for what XTB cannot take responsibility.
- 10.3. Client may voluntarily agree to participate in testing periods of XTB's new products and services. In that case such new products and services may cause additional risk to the Client which are described in the GTC. Before agreeing to participate in such testing periods "Beta Services" the Client should carefully acquaint with the rules and risks connected with Beta Services described in the GTC.

## **11. Other essential information**

- 11.1. Client hereby acknowledges that, unless otherwise stipulated in the agreement concluded between XTB and Client, XTB does not perform brokerage services consisting of investment advice, portfolio management, preparation of recommendations concerning transactions on financial instruments. XTB limits its activity only to Clients' Orders execution and does not provide any essential advice

concerning Transactions concluded by the Client. XTB employees are explicitly not allowed to provide services or perform any activities mentioned above.

- 11.2. Client hereby acknowledges that unless otherwise stipulated, XTB does not cooperate with any entities, including both natural persons and organizational entities, which directly or indirectly provide brokerage activities or other similar services by acting on XTB's account or on their own.
- 11.3. Client acknowledges that XTB does not authorize any other entity or a person to receive any cash deposits or any other assets from the Client on the account of XTB and the Client should at all times deposit funds necessary to conclude the Transactions only on the Deposit Account specified in accordance with the Agreement.
- 11.4. In case of any concerns as to XTB employees' activities or concerning cooperation with persons or entities mentioned above, Client should at all times contact XTB.
- 11.5. Unless stipulated otherwise, the Client shall conclude the Transactions directly with XTB and shall not act as an agent or attorney of other person. The Client shall not authorize any person to conclude the Transactions on behalf of the Client, unless XTB expresses its consent thereto.
- 11.6. The Client acknowledges that all Instructions placed by the Client with XTB shall be considered as Client's independent, investment decisions. The Client should always base his investment decisions on his own judgment.

## **12. Final representations**

- 12.1. When making a decision to sign the Agreement, the Client shall carefully consider whether offered Transactions are appropriate for the Client, taking into account Client's investment knowledge and experience, financial resources, access to necessary technologies and other important factors.
- 12.2. By accepting this document Client declares that he/she is aware of investment risks and financial consequences that are related to trading in Financial Instruments, especially those related to the fact that the price of a Financial Instrument may depend on price of securities, futures, exchange rates, prices of raw materials, commodities, stock exchange indices or prices of other Underlying Instruments.
- 12.3. The Client declares that he/she is fully aware that due to high financial leverage, dealing in Financial Instruments is strictly connected with the possibility of suffering heavy financial losses by the Client, even at a slight change of the Underlying Instrument price.
- 12.4. The Client declares that he/she is fully aware of the fact that it is not possible to make profit on Financial Instruments Transaction's without taking the risk of losses.
- 12.5. The Client declares that his/her financial standing is stable and sufficient to enable him to invest in the Financial Instruments.
- 12.6. Any guarantees as to making a profit on Financial Instruments should be deemed false.
- 12.7. The Client exempts XTB from liability for any losses incurred by the Client as a result of Financial Instruments Transaction made by the Client. Beyond all doubt, concluding a Transaction shall be deemed as an independent decision of the Client. The Client may under no circumstances claim that he made a Transaction on the basis of any suggestions or recommendations made by XTB, its employees or entities mentioned in clauses 11.2 - 11.6.