Risk disclosure statement for margin products including CFDs

Margin products are highly speculative and involve a very high degree of risk, as they may be subject to losses that exceed the margin deposited substantially.

This document is not purported to disclose all of the risks and does not replace your own assessment and experience of the below mentioned margin products. For further risk disclosure, we kindly refer to the Brochure of the Swiss Banking Association "Risks involved in Trading Financial Instruments" which is available on the website of Saxo Bank (Schweiz) AG (the "Bank").

Before entering into any transaction involving the Margin Products, you should determine if the Margin Products suit your particular circumstances and should independently assess (with your professional advisors) the specific risks and the legal, regulatory, credit, tax and accounting related consequences.

Please note that any order you give will be executed only if there is sufficient liquidity in the market. The Bank has no obligation to act as buyer or seller and cannot guarantee that all orders you give will be executed.

1. Margin Products

Margin products are derivative transactions that are traded with the provision of a margin only ("Margin Products"). This means that you must supply a specified margin on agreement of the contract. The margin is usually a percentage of the total value of your contract and may be modified at any time (e.g. due to changes of the volatility of the market).

Margin Products can be traded on an exchange (Futures and exchange traded Options) or off-exchange (CFDs, Foreign Exchange, Forwards, Options, Swaps, Crypto). Non-standardized derivatives that are traded off-exchange are referred to as over-the-counter (OTC) derivatives. Because most Margin Products are traded off-exchange, prices are often unpublished and less transparent.

Please note, that for the calculation of the total gain/loss of a Margin Position **the relevant costs (e.g. commissions, spreads, carrying costs) have to be taken into account**. The costs are disclosed on the Bank's website and (for a specific trade) in the pre-trade ticket of the client trading platform.

The typical Margin Products traded with the Bank are:

1.1 CFDs

A contract for difference ("CFD") allows you to speculate on the price difference of an underlying (e.g. shares, commodities, indices) without acquiring it.

As holder of a long position (i.e. as the buyer of a CFD), you will generally make a profit if the market price of the underlying rises whilst your CFD position is open. On the contrary, you will generally suffer a loss, if the market price of the underlying falls whilst your CFD position is open. Your loss will be the difference of the market price of the underlying at the time of purchase compared with the one at the time of the sale, multiplied by the amount of CFDs. As holder of a short position, you will generally make a profit if the market price of the underlying falls whilst your CFD position is open. On the contrary, you will generally suffer a loss, if the market price of the underlying rises whilst your CFD position is open. Your loss will be the difference of the market price of the underlying at the time of purchase compared with the one at the time of the sale, multiplied by the amount of CFDs. For the calculation of the **total gain/loss eventual commissions, financing costs (see Bank website) and possible corporate actions (e.g. dividend: see Bank website) need to be taken into consideration**.

CFDs are normally traded OTC with the Bank as counterparty.

CFDs are subject to strong leverage and can therefore generate losses that may exceed the margin deposited substantially. Therefore, certain regulators have banned the marketing, distribution or sale of CFDs with additional payment obligations to retail investors.

Saxo Bank (Switzerland) Ltd. The Circle 38 P.O. Box 8058 Zurich Airport, Switzerland
Telephone: +41 58 317 95 00 home.saxo/en-ch

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1.2 Foreign Exchange

When trading in foreign exchange (FX) you will be able to speculate on the differences in exchange rates where one currency is sold and the other is purchased. By way of example, you may sell British pounds (GBP) against the US dollar (USD) if you expect that the USD will increase relative to the GBP.

FX may be traded as FX spot, FX Forwards and FX Options. A spot contract is a contract that involves the purchase and sale of a currency pair on the spot date. Unclosed FX spot positions at end of each trading day are rolled forward by the Bank to the next trading day and are subject to margin requirements. For other forms of FX trading see also risk disclosure on Forwards and/or Options.

The FX market is an OTC market where the Bank acts as counterparty.

1.3 Forwards and Futures

Forwards and futures are transactions in which two contracting parties agree to buy or sell a certain “underlying” (e.g. a currency or an equity) at a predefined time and price. Forwards are traded OTC with the Bank as counterparty. Futures are traded on a regulated exchange where the terms of each instrument is standardized by the exchange. Futures can be traded on a daily basis and are generally more liquid compared to Forwards.

1.4 Options (OTC and exchange traded)

An Option gives you the right or the obligation to either buy or sell a specified amount or value of a particular underlying asset at a fixed exercise price, by the Option being exercised either before or on its specified expiration date.

The buyer of an Option has the right to buy a specified amount of an underlying from the seller (call Option) or sell it to the seller (put Option) at a predefined price (known as the strike price) on or before a set point in time (the expiry date). The price of this right is called the premium. The seller (writer) of an Option must sell the underlying to the buyer at the strike price (short call) or buy the underlying from the buyer at the strike price (short put) on or before the expiry date, irrespective of the current market value of the underlying, if the buyer chooses to exercise the Option. The buyer pays the seller a premium in exchange for this right.

Purchased Options involve a limited risk in the form of loss of premium, while Options that have been sold involve an unlimited risk in the form of changes to the price of the underlying. Exercised Options are further subject to the market risk of the underlying.

Exchange-traded Options are traded on a regulated exchange where the terms of each instrument are standardized by the exchange. Exchange-traded Options can be traded on a daily basis and are generally more liquid compared to OTC Options. OTC Options are traded with the Bank as counterparty.

1.5 Swaps

The Bank offers trading in FX Swaps but not in other types. A FX Swap is a simultaneous purchase and sale of one currency for another with two different value dates (normally spot to forward).

Swaps are traded OTC with the Bank as counterparty.

1.6 Cryptocurrencies

Cryptocurrencies may be traded in the form of a spot contract. A spot contract is a contract that involves the purchase and sale of a currency pair (fiat vs. crypto currency) on the spot date. Unclosed spot positions at the end of each trading day are rolled forward by the Bank to the next trading day and are subject to margin requirements.

Cryptocurrency is a digital representation of value that functions as a medium of exchange, a unit of account, or a store of value, but it does not have legal tender status. Cryptocurrencies are sometimes exchanged for U.S. dollars or other currencies around the world, but they are not generally backed or supported by any government or central

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bank. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional currencies. The value of cryptocurrency may be derived from the continued willingness of market participants to exchange fiat currency for cryptocurrency, **which may result in the potential for permanent and total loss of value of a particular Cryptocurrency should the market for that Cryptocurrency disappear.**

Underlying cryptocurrency markets may **not be subject to requirements usually associated with a regulated licensed financial product**, including, but not limited to, market integrity and price transparency rules, registration and/or licensing requirements, audit, market surveillance and trade reporting requirements, anti-money laundering and anti-fraud rules, disaster recover or cybersecurity requirements, and market manipulation rules. In addition, the underlying technology is still relatively new and constantly under development, so that the legal framework in various countries continually changes and the related economic developments relatively uncertain. As a result, cryptocurrency markets may be particularly susceptible to manipulation and fraud, which increases the risk and the volatility of trading in cryptocurrency or cryptocurrency derivatives.

Cryptocurrency trading carries additional risks such as hard forks or discontinuation. When a hard fork occurs, there may be substantial price volatility around the event.

2. Risks related to Margin Products

Margin Products are highly speculative, and you should carefully consider the following risks before entering into a Margin position:

- **Leverage:** When trading Margin Products, you must supply a specified margin at the time the contract is concluded. The margin is usually a percentage of the total value of your contract and may be modified at any time (for example due to changes in market volatility). As the amount of the margin is small relative to the value of the contract, transactions are leveraged, which means that a relatively small market movement will have a proportionately larger impact on the margin you have deposited. In particular, if the market moves against your position or margin levels are increased, you may be required to pay substantial additional funds on short notice to maintain your position. If you should fail to provide for additional funds, your position may be liquidated at a loss and you will be liable for any resulting deficit. You must therefore be aware that your potential loss can be far greater than the value of the margin you have deposited with the Bank (and any additional margins), and that your positions may be closed at the worst possible time. Specific regulations and arrangements apply for EU retail clients.

- **Gapping:** Gapping occurs when price of an underlying moves from one level to another, with no trading activity in between. Most typically, this happens when a market closes and reopens the next day. However, various factors can lead to gapping (for example, economic events or market announcements). When the gapping occurs, the new price (and therefore the derived price) can be extremely different from the closing price, with no opportunity to close the trade with at a price in- between the two levels. ‘Gapping’ can result therefore in Slippage.

- **Slippage:** You should be aware that stop orders (and limit orders), in particular in case of volatile markets, may not be executable at the specified price or amount (“Slippage”). Stop orders might therefore be subject to negative slippage and will in such cases not provide for adequate protection against negative account balance.

- **Volatility:** Exchange rates fluctuate depending on a several factors, including political situations, interest rates, monetary policy and inflation. Fluctuations are unpredictable, and the market could suddenly move against your interest. This will affect the price of your FX and/or Cryptocurrency contract and related potential gains and losses.

- **Market Risk:** Unlike traditional securities, the return from holding a Margin Product varies non-linearly with the value of the underlying. Pricing of Margin Products is complex, and the value of the Margin Product is depending on various factors such as the exercise price (in case of Options), the time to maturity, the volatility of the underlying, the interest rate level, dividends etc.

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- **Counterparty Risk:** Contracts on OTC Margin Products are concluded directly with another counterparty (often with the Bank) and therefore there is the risk of the failure of the contracting partner to abide by its contractually agreed payment or delivery obligations.
- **Liquidity Risk:** Many OTC Margin Products are relatively illiquid, or "thinly traded," which tends to increase price volatility. It may be difficult for you to buy or sell an OTC Margin Product without dramatically affecting the quoted price. In some cases, the liquidation of an OTC Margin Product may not be possible within a reasonable period of time and the Bank may ask you to close an OTC Margin Product even if you have already sold your Product. For CFDs this may happen in the event the underlying share cannot be borrowed for various reasons such as the announcement of a purchase offer, payment of dividends, detachments of rights or large, aggressive sales orders on the market.
- **Country risk:** Economic and political factors can alter the investment landscape within a specific country, which can generate risk, in particular for FX transactions.

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