

# CFD AND OTC DERIVATIVE RISK DISCLOSURE STATEMENT

*in terms of sections 7(1)(c)(xiii) and 7A(3) of the General Code of Conduct  
read with FMA Conduct Standard 2 of 2018*

<b>FSP Name:</b>	CompliShield Financial Group
<b>FSP Licence Number:</b>	53590
<b>Document Version:</b>	01

## 1. IMPORTANT NOTICE

**THIS DOCUMENT CONTAINS IMPORTANT INFORMATION REGARDING THE RISKS ASSOCIATED WITH TRADING IN CONTRACTS FOR DIFFERENCE ("CFDs") AND OTHER OVER-THE-COUNTER ("OTC") DERIVATIVE INSTRUMENTS. CLIENTS MUST READ THIS DOCUMENT CAREFULLY BEFORE OPENING AN ACCOUNT OR PLACING ANY TRADE.**

CFDs and OTC derivatives are complex financial instruments. Trading in these instruments carries a high degree of risk and is not suitable for all investors. A significant majority of retail client accounts lose money when trading CFDs. You should consider whether you understand how CFDs and OTC derivatives work and whether you can afford to take the high risk of losing your money.

## 2. REGULATORY FRAMEWORK

The FSP is authorised as a Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002 ("FAIS Act") and, where applicable, licensed as an Over-the-Counter Derivative Provider ("ODP") under the Financial Markets Act, 2012 ("FMA"). The Provider is subject to:

- The FAIS Act and the General Code of Conduct (Board Notice 80 of 2003, as amended);
- The FMA and the ODP Conduct Standard (Conduct Standard 2 of 2018);
- The Financial Sector Regulation Act, 2017;
- All applicable FSCA Conduct Standards, Board Notices and regulatory directives;  
and
- The Financial Intelligence Centre Act, 2001 ("FIC Act") in respect of anti-money laundering and counter-terrorism financing obligations.

The FSP is an authorised Financial Services Provider with FSP license number: 53590, duly established and doing business under the laws of the Republic of South Africa and is the holder of a Category I FSP license, issued by the Financial Sector Conduct Authority (hereinafter referred to as “the FSCA”), and as such is duly authorised to render Intermediary Services of a nondiscretionary nature in the various categories and subcategories (hereinafter referred to as “the Services”).

The FSP will only act in its capacity as Intermediary as defined in the Financial Advisory and Intermediary Services Act, 37 of 2002 (hereinafter referred to as the “FAIS Act”).

The FSP is authorised to act as intermediary, with the Clients being the Principal Counterparty to the ODP Provider in respect of CFD Transactions executed under their Client Agreement.

The ODP Provider, AT Global Markets SA (PTY) LTD, incorporated and validly existing under the laws of South Africa with FSP license number 44816 and a licensed OTC Derivatives Provider whose registered office at 1020 Manhattan Place, 130 Bree Street Cape Town, 8001, South Africa will act as Principal Counterparty to the Client Agreement in respect of all CFD transactions.

The ODP Provider is duly authorized and regulated in South Africa by the Financial Sector Conduct Authority (hereinafter referred to as “the FSCA”) and will be the Client’s sole counterparty to trades in terms of the Client Agreement.

### **3. WHAT ARE CFDs AND OTC DERIVATIVES?**

#### **3.1 Contracts for Difference (CFDs)**

A CFD is an OTC derivative contract between a client and the ODP Provider under which the parties agree to exchange the difference in the value of an underlying asset between the time the contract is opened and the time it is closed. The client does not acquire ownership of or any interest in the underlying asset. CFDs may be referenced to equities, indices, commodities, currencies, interest rates, cryptocurrencies or other financial instruments or benchmarks.

#### **3.2 OTC Derivatives**

OTC derivatives are financial contracts whose value is derived from an underlying asset, index or reference rate, and which are transacted directly between parties rather than on a regulated exchange. OTC derivatives include, but are not limited to, CFDs, forward contracts, swaps and options.

## **4. KEY RISKS OF CFD AND OTC DERIVATIVE TRADING**

### **4.1 Leverage Risk**

CFDs are leveraged products. Trading on margin means that a relatively small deposit ("initial margin") controls a much larger position. While leverage amplifies potential profits, it equally amplifies potential losses. Losses may exceed the initial margin deposited and the client may be required to deposit additional funds at short notice ("margin call"). If the client fails to meet a margin call, the ODP Provider may close out all or part of the client's positions without prior notice.

### **4.2 Losses May Exceed Deposits**

Depending on the structure of the product and the ODP Provider's policies, a client may sustain losses in excess of the initial margin deposited. Where negative balance protection is not offered or does not apply, the client may owe amounts exceeding their account balance.

### **4.3 Volatility Risk**

The prices of underlying assets may be subject to rapid and substantial fluctuations. Market events, including economic data releases, geopolitical events, corporate announcements and changes in market sentiment, may cause sudden and significant price movements ("gaps") that may result in trades being executed at prices significantly different from the order price.

### **4.4 Gap Risk**

Markets may "gap" between trading sessions or during periods of extreme volatility. This means that the first available price may be significantly different from the last traded price. Stop-loss orders and other risk management tools may not be executed at the specified price during such events.

### **4.5 Counterparty Risk**

The client's counterparty for all CFD transactions is the ODP Provider. The client is therefore exposed to the ODP Provider's credit risk. In the event of the ODP Provider's insolvency, the client may lose all or part of their invested funds and open positions. The ODP Provider's obligations are not guaranteed by any exchange, clearing house, government or compensation fund, unless otherwise stated.

### **4.6 Execution Risk**

During periods of high volatility or low liquidity, orders may be subject to slippage, meaning the order is executed at a price different from the requested price. The ODP Provider may re-

quote prices or reject orders during such conditions. Execution speed may be affected by market conditions, system performance, internet connectivity and other factors.

#### **4.7 Overnight and Weekend Risk**

Positions held overnight or over weekends are subject to additional risks, including gap risk on market reopening, changes to financing charges (swap rates), and corporate or geopolitical events occurring outside trading hours. Financing charges accrue daily on positions held overnight and may vary according to market conditions.

#### **4.8 Liquidity Risk**

The ODP Provider may derive its prices from underlying exchanges and liquidity providers. In certain market conditions, including but not limited to market closures, illiquid hours, extreme volatility or force majeure events, the ODP Provider may widen spreads, restrict trading, reduce leverage or suspend trading in certain instruments.

#### **4.9 Technology and Platform Risk**

CFD trading is conducted electronically. System failures, internet disruptions, hardware or software malfunctions, cyber attacks and other technological events may prevent the client from placing, modifying or closing orders, or may result in erroneous trade execution. The ODP Provider is not liable for losses arising from circumstances beyond its reasonable control.

#### **4.10 Currency Risk**

Where the client's account is denominated in a currency other than the currency of the underlying asset, or where the CFD references an asset priced in a foreign currency, the client is exposed to exchange rate risk in addition to the risk of the underlying asset's price movement.

#### **4.11 Regulatory Risk**

Regulatory changes in South Africa or in the jurisdiction of the underlying asset may affect the terms and conditions of CFD trading, including leverage limits, margin requirements, product availability and tax treatment. The ODP Provider may be required to modify its product offering at short notice in response to regulatory developments.

### **5. RISK MANAGEMENT TOOLS AND LIMITATIONS**

The ODP Provider may offer risk management tools including stop-loss orders, limit orders and take-profit orders. Clients should be aware that:

- (a) stop-loss orders are not guaranteed to execute at the specified price and may be subject to slippage;
- (b) guaranteed stop-loss orders, where offered, may attract an additional premium;
- (c) risk management orders may not protect the client in all market conditions, particularly during extreme volatility or gap events;
- (d) it is the client's responsibility to monitor open positions and margin levels; and
- (e) the ODP Provider may, at its discretion, close out positions where margin requirements are not maintained.

## **6. COSTS AND CHARGES**

Clients should be aware that the following costs and charges may apply to CFD trading (this section supplements but does not replace the Provider's Fee Schedule):

- Spreads (the difference between the bid and ask price);
- Commission per trade (where applicable);
- Overnight financing/swap charges;
- Currency conversion fees;
- Inactivity fees;
- Deposit and withdrawal fees; and
- Any other fees or charges as disclosed in the Provider's Fee Schedule.

## **7. APPROPRIATENESS AND SUITABILITY**

In terms of the Code and the ODP Conduct Standard, the FSP is required to assess the appropriateness of CFD and OTC derivative trading for each client, having regard to the client's knowledge, experience, financial situation and investment objectives. The FSP may decline to accept a client, or may restrict the products or leverage available to a client, based on the outcome of this assessment.

Notwithstanding any appropriateness assessment, the decision to trade CFDs and OTC derivatives remains the sole responsibility of the client.

## **8. CLIENT MONEY AND ASSET SEGREGATION**

The ODP Provider is required to segregate client funds from its own funds in accordance with applicable regulatory requirements.

## 9. CLIENT ACKNOWLEDGEMENT AND DECLARATION

By opening an account and/or placing a trade, the client acknowledges and declares that:

- (f) the client has read and understood this CFD and OTC Derivative Risk Disclosure Statement in its entirety;
- (g) the client understands that CFDs and OTC derivatives are complex instruments and carry a high risk of rapid financial loss due to leverage;
- (h) the client has considered their financial circumstances, investment objectives, risk appetite and level of experience before deciding to trade;
- (i) the client has been afforded the opportunity to seek independent professional advice;
- (j) the client understands that the Provider does not guarantee capital or returns;
- (k) the client accepts sole responsibility for monitoring open positions and ensuring adequate margin is maintained; and
- (l) the client consents to the electronic provision of this disclosure.