

# Risk Warning Notice



## CMC SPREADBET PLC – RISK WARNING NOTICE

CMC Spreadbet Plc (referred to as “CMC” or “we” or “us”), whose registered office is at 66 Prescott Street, London E1 8HG, is a financial spread betting bookmaker which is authorised and regulated by the Financial Services Authority (“FSA”) under reference number 170627. This Risk Warning Notice is provided to you because you are proposing to undertake dealings with us in financial derivative products under our Financial Spread Betting Terms of Business.

This Risk Warning Notice cannot disclose all of the risks and other significant aspects involved in dealing contracts for differences in the form of financial spread bets. Engaging in this type of transaction can carry a high risk. As these transactions differ markedly from normal bets you should not engage in this form of betting unless you understand the nature of the transaction you are entering into and the true extent of your exposure to the risk of loss. The amount that you may win or lose will vary according to the extent of the fluctuations in the price of the underlying markets or instruments on which the bet is based (the “underlying”) instead of a sum predetermined when a normal bet is placed.

For many members of the public financial spread betting is not suitable. You should, therefore, consider carefully whether it is suitable for you in the light of your circumstances and financial resources. In considering whether to engage in this form of betting, you should be aware of the following:

### 1. General

The high degree of “gearing” or “leverage” is a particular feature of this type of transaction. This stems from the margining system applicable to spread bets which generally involves a comparatively modest deposit or margin in terms of the overall contract value, so that a relatively small movement in the underlying can have a disproportionately dramatic effect on your bet. If the price of the underlying moves in your favour, you may achieve a good profit, but an equally small adverse movement can not only quickly result in the loss of your entire initial deposit, but may also expose you to a large additional loss. You may be able to restrict your potential loss by entering into a Controlled Risk Bet with us, although this type of bet generally requires an additional charge to be paid.

### 2. Foreign markets

Foreign markets will involve different risks from UK markets. In some cases risks will be greater. The potential for profit or loss from bets on foreign markets or in foreign currency denominated markets will be affected by fluctuations in foreign exchange rates.

### 3. Margin

Financial spread bets are margined, and require you to make a series of payments against the contract value, instead of paying the whole contract value immediately. Where you enter into financial spread bets with us, you must maintain sufficient margin on your account at all times to maintain your open bets and we provide you with on-line access to enable you to monitor your margin requirement at all times. We revalue your open positions continuously during each business day, and any profit or loss is immediately reflected in your account and a loss (which may or may not result in a margin call) may require you immediately to provide additional funds to us to maintain your open bets. We may also change our rates of initial margin and/or notional trading requirements at any time, which may also result in a change to the margin you are required to maintain. If you do not maintain sufficient margin on your account at all times and/or provide such additional funds within the time required, your open bets may be closed at a loss and you will be liable for any resulting deficit.

### 4. Off-exchange transactions

When trading financial spread bets with us, you will be entering into off-exchange (OTC) derivative transactions. All bets entered into with us must be closed with us and cannot be closed with any other entity. Transactions in financial spread bets may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open bet. It may be impossible to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted by us, and, even where they are, we may find it difficult to establish a fair price particularly when the relevant exchange or market for the underlying is closed or suspended.

### 5. Charges and commissions

Before you begin to trade, you should obtain from us details of all commissions and other charges for which you will be liable which we will usually set out in Section 2 of our Dealing Guide. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. When commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.

### 6. Enforceability

As a result of section 412 of the Financial Services and Markets Act 2000, the financial spread bets you enter into with us are enforceable and we may be sued by you (if you win) and may sue you (if you lose).

### 7. Suspensions of trading

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example at times of rapid price movement if the price for the underlying rises or falls in one trading session to such an extent that trading in the underlying is restricted or suspended.

### 8. Money and Collateral

Unless you request otherwise, any money held by us in respect of your margin requirements will be transferred to us to secure your actual or potential obligations to us. It will not be segregated from our money. Money not held by us in respect of your margin requirements will generally be held in a segregated client money bank account, although this may not provide complete protection.

If you deposit collateral as security with us, we may provide you with additional terms and conditions that apply. Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets which you deposited and may have to accept payment in cash. It is your responsibility to ascertain how your collateral will be dealt with by us.

### 9. Credit Accounts

If you deal on a credit basis, we may provide you with a credit allowance which may amongst other items may cover part or all of the deposit, initial margin and/or notional trading requirements and variation margin that we normally require. The extent of your agreed credit allowance will not limit your loss or financial liability and you may be required to provide margin (for which you may or may not receive a margin call) for an amount in excess of your allowance. As a consequence, the amount of capital which you are prepared to place at risk should be sufficient to cover your credit allowance and the possibility of further margin being required (whether or not demanded through a margin call) if the price of the underlying moves against you.

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