COMPLEX PRODUCTS RISK WARNING

Trading in financial products always involves a risk. As a general rule, you should therefore only trade in financial products if you understand the products and the risks associated with them. You should carefully consider your investment objectives, level of experience and risk appetite. Most importantly, do not invest money you cannot afford to lose.

Complex FX derivatives (including FX forwards, FX options and structured FX products) are high-risk products and are not suitable for everyone. Because of leverage and margin, you can lose all of the money you deposit and you may be required to pay in additional amounts to cover losses. If your total exposure exceeds your deposit, you risk losing more than your original deposit.

Before we enter into complex FX derivative transactions with you, we are required to assess whether such products are appropriate for you, taking into account your knowledge and experience of this type of investment. If we consider that a product is not appropriate, we may warn you of this or refuse to execute the transaction. This assessment and this risk warning do not replace your obligation to make your own independent decision as to whether to enter into a transaction.

ALT 21 Limited reserves the right to discontinue our relationship or decline transactions where we determine that you are speculatively trading or where a product is not appropriate for you based on our regulatory assessments.

Foreign Exchange Trading (FX)

When trading in foreign exchange, you are subject to the development of the price of one currency relative to another, where one is sold and the other is purchased.

Foreign exchange is traded as a margin product, which means that you can put in more money than is available in your account by borrowing money from us. Foreign exchange may be traded as FX Spot, FX Forward or FX Options. FX Spot is the purchase of one currency against the sale of another for immediate delivery. FX Forward and FX Options transactions are settled on an agreed date in the future at prices which are agreed on the date of the transaction. FX Forwards involves an obligation on you to make the transaction at the agreed price on the settlement date.
FX Options and structured FX products.

FX Options give you, as purchaser, a right (but not an obligation) to make a transaction in the underlying FX Spot currency pair on or by the expiry date if the price is more favourable than the market price at that time. A seller (writer) of options has an obligation to enter into a transaction with the purchaser on the settlement date if requested by the purchaser (for American-style options) or if the option is automatically exercised under its terms (for European-style and certain structured products). Purchased options therefore involve a limited risk in the form of the premium which is payable when the contract is made, while options that have been sold, or certain zero-premium or leveraged structures, may involve a potentially unlimited risk in the form of changes to the price of the underlying FX Spot currency pair.

Some of the FX products we offer are ‘structured’ or ‘zero-premium’ FX options or forwards. In these cases, you may not pay an upfront cash premium, but the economic cost to you is built into the product terms (for example, through less favourable strike rates, barriers or participation levels compared with standard forwards or options). This means that you may have to transact at a rate which is worse than the prevailing market rate in many scenarios and you may be worse off than if you had used a simpler product or remained unhedged.

Many FX options and structured FX products include automatic exercise if they are in-the-money at expiry, and may require you to deliver or receive the notional amount of currency unless you instruct us to close or cash-settle the position within specified deadlines. If you fail to give us instructions on time, you may be left with a position or settlement you did not intend, and you will be responsible for any resulting losses.

Early termination or unwinding of such products may not be possible on the original terms and may result in a significant cost to you, depending on market conditions at the time of the unwind.

Leverage, Margin and Loss Risk

Foreign exchange may be traded as a margin product, which means that you can put on positions that exceed the cash available in your account by borrowing money from us. The leveraged nature of forex trading means that any market movement will have a proportionally larger effect on your deposited funds. This may work against you as well as for you. The possibility exists that you could sustain a total loss of initial margin funds and be required to deposit additional funds to maintain your position. If you fail to meet any margin requirement, your position may be liquidated and you will be responsible for any resulting losses, including any deficit on your account.

Foreign exchange transactions can involve a relatively high level of risk. This makes the potential gain quite high, even if the deposit is relatively small. If your total exposure exceeds your deposit, you risk losing more than your deposit.

Market, Liquidity and Counterparty Risk

The currency exchange market is the world's largest financial market with 24-hour trading on working days. It is characterised, among other things, by relatively low profit margins compared to some other products. A higher potential profit is therefore typically associated with larger trading volumes or the use of leverage and margin as described above. When trading in foreign exchange, a gain net of costs, such as commission and spread, realised by one market participant will always be offset by another participant’s loss.

Foreign exchange transactions are always made with ALT 21 Limited as your counterparty, and we quote prices on the basis of prices that can be obtained in the market. However, this does not necessarily mean that your gain or loss is offset by a loss or gain on our part, as we seek to hedge our risks with other counterparties. There is considerable exposure to risk in any off-exchange foreign exchange transaction, including, but not limited to, leverage, the creditworthiness of the counterparties we transact with, limited regulatory protections compared with on-exchange products, and market volatility and liquidity that may substantially affect the price or liquidity of a currency or currency pair.

In stressed market conditions, it may be difficult or impossible to close a position, to obtain accurate pricing or to realise a profit or limit a loss. Stop-loss orders, where available, cannot be guaranteed to limit your loss at the expected level, because market conditions may make execution at the requested level impossible.

Operational and Electronic Trading Risk

There are risks associated with utilising an internet-based or electronic trading system including, but not limited to, the failure of hardware, software and internet connection.

ALT 21 Limited is not responsible for communication failures or delays when trading via the internet, or for any losses arising from such failures or delays, except to the extent required by law. We employ backup systems and contingency plans to minimise the possibility of system failure, but these measures cannot remove all operational risk. You should also have your own contingency arrangements for placing or closing trades (for example, by telephone) if you cannot access our online services.

This risk warning is not exhaustive and does not explain all of the risks or other important aspects of foreign exchange trading and complex FX derivatives. You should not rely on it as a complete description of all risks. You should ensure that you read all relevant documentation, including our Terms of Business and any product-specific termsheets, and seek independent advice if you are unsure about any aspect of these.

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