



1. Trading on financial markets involves significant risks and is not suitable for all investors. In particular, trading on the financial markets is not suitable for investors whose primary aim is to receive a secure income, since any such income is not regular and it is also uncertain. There is no warranty that the amount invested in financial instruments will not be lost, and that the promised or expected income (e.g. dividends on preferred shares or interest payments on corporate bonds) will be realized.
2. Financial markets are strongly volatile, i.e. the prices and quotes of currencies, precious metals and securities may vary significantly over time. They are influenced by many and diverse factors, such as, among others: changes in the ratio of demand and supply; world trade; tax, monetary, regulatory and international policy of the countries; important economic and political news; changes in the interest rate levels; central bank interventions and operations by big market players; devaluation of currencies; the performance of enterprises in their respective economic sectors; beliefs and expectations of the market participants, as well as many other factors.
3. Regulated markets may impose price limitations regarding the traded securities, as well as a given issue of securities may be suspended from trading. DELTASTOCK warns its clients that in certain cases the investor may have to bear financial and other additional responsibilities as a result of trades, including unpredicted obligations, in addition to the transaction costs for the purchase/sale of the instruments.
4. **Margin trading**, i.e. the use of “leverage”, multiplies both the profit and loss and relatively small market movements may have a large effect on client positions. As a result, the funds deposited to secure open positions may be fully exhausted.  
To the extent that the provision of services by or through DELTASTOCK for trading currencies and precious metals involves leverage investing, the respective laws and regulations, as well as market practices shall apply. In such circumstances, DELTASTOCK will require from its clients to provide collateral to cover possible losses, i.e. margin deposit will be required. Information about the size of this security deposit or margin, expressed in percentage, for currencies and precious metals is available on DELTASTOCK Website.
5. Risk class - definition:

**Note:** *the following classes of risk are indicative. In any given case the investment's value fluctuation may be higher than that indicated below.*

- R<sub>1</sub> There are no fluctuations in the value of the investment, except the usual risk;*
- R<sub>2</sub> Slight fluctuations in the value of the investment (up to 10% annually, but higher fluctuations are possible);*
- R<sub>3</sub> Moderate level of fluctuations in the value of the investment (over 10% annually, where in some cases the complete loss of the invested capital is possible);*
- R<sub>4</sub> Speculative investment, which may lead to the complete loss of the invested capital, because the client strives to take advantage of the high profit potential;*
- R<sub>5</sub> Extremely risky investment, which may involve further financial claims against the investor, in addition to the complete loss of the invested capital.*

➤ Currency	R <sub>5</sub>
➤ Currency cross (currency pair)	R <sub>5</sub>
➤ Currency option – buy	R <sub>4</sub>
➤ Currency option – sell	R <sub>5</sub>
➤ Futures and forwards	R <sub>5</sub>

➤ Government bonds	R <sub>2</sub>
➤ Securities with a rating A-AAA <sup>1</sup>	R <sub>2</sub>
➤ Corporate bonds with a rating BBB- or higher	R <sub>3</sub>
➤ Corporate bonds with a rating lower than BBB- or without a rating	R <sub>4</sub>
➤ Shares of companies with a rating higher than BBB-	R <sub>3</sub>
➤ Shares traded on an official regulated market	R <sub>4</sub>
➤ Shares not traded on an official regulated market	R <sub>5</sub>
➤ Shares with a rating lower than B	R <sub>5</sub>
➤ Shares with a rating of B to BBB-	R <sub>4</sub>

## 6. Description of the various types of risks

The following description of the various risks in investing is not exhaustive – it covers the most common types of risk and describes their basic features. Other risks, as well as different features of the risks below, may exist even though they are not addressed below. Unless otherwise indicated, the risks set out below are common for all tradeable assets referred to in [Article 5](#) above. Beside those risks, the particular financial instrument may involve specific risks.

### 6.1. Market risk

The market risk is the risk of loss in the value of the investment due to the movements of the market factors - prices of tradeable assets, interest rates, currency exchange rates and others. Market prices of investments may vary due to changes in the economic and market environment, the monetary policy of the central banks, the business activity of the issuer companies, the demand and supply on the market of the respective instrument.

### 6.2. Interest rate risk

This is the risk of changes in the market interest rates having an unfavorable effect on the profit or the value of the instrument. The changes in the interest rate levels may endanger the tradeable asset owners with the risk of capital loss. The impact of the risk is different for the different tradeable assets. This risk is relevant even for shares, since changes in interest rates affects the return on investment in shares compared to the returns on investment in other tradeable assets, which directly depend on interest rate levels (as is the case with bonds).

### 6.3. Currency risk

Investments in assets denominated in a foreign currency may be unfavorably affected by the lowering of the exchange rate of this currency against another. The increase or decrease in the currency exchange rates may cause losses or profits for the tradeable assets in the currency in which they are denominated.

<sup>1</sup> The credit rating classification of [Standard & Poor's](#) is used, according to which:

AAA	Extremely strong capacity to meet financial commitments. Significant financial stability. Outstanding development prospects. Very low credit risk.
AA	Very strong capacity to timely meet financial commitments. Significant financial stability. Very low credit risk.
A	Strong capacity to timely meet financial commitments. Low susceptibility to adverse changes in the business or economic environment. Financial stability. Low credit risk.
BBB	Good capacity to timely meet financial commitments. Good financial condition. Susceptibility to adverse changes in the business or economic environment. Moderate credit risk.
BB	Meeting financial commitments is impacted, to a great degree, by adverse changes in the business or economic environment. The financial condition is of average quality. The development trends are unstable. A credit risk exists.
B	High degree of uncertainty as to the financial condition and the capacity to meet financial commitments. Strongly susceptible to adverse changes in the business or economic environment. High credit risk.
CCC	Adverse changes in the business or economic environment could significantly worsen the condition of the company and to bring about inability to meet financial commitments. Weak financial condition. Significant credit risk
CC	A high risk of insolvency and inability to pay debts exists. Low capacity to meet financial commitments. Significant problems with the financial condition.
C	Very high risk of becoming insolvent. High likeliness of inability to meet financial commitments. Very week financial condition.
D	The company is insolvent or in liquidation and has no capacity to meet its financial commitments.

**Note:** The ratings AA to CCC may be modified by adding the **plus (+)** or **minus (-)** symbols in order to indicate the relative position in comparison with the basic rating categories.

Additional information is available at:

<http://www.standardandpoors.com/ratings/definitions-and-faqs/en/us>

#### **6.4. Assimilation risk (relevant for bonds)**

This is the risk for investors in a given bond not to be able to find the same investment market conditions, if a given investment has been terminated - in the event that the issuer of the bonds repays its obligation before the maturity date.

#### **6.5. Operational risk (relevant mostly in respect of securities)**

This is the risk from direct or indirect losses as a result of inadequate internal control, a human action, organization or external event. This risk covers human errors, willful misconduct by employees, crash of the information systems, problems connected to human resources management, company litigations, as well as external events such as accidents, fires, floods and others.

#### **6.6. Liquidity risk**

The liquidity risk arises in cases where a party interested in selling a given asset is unable to do so because no one on the market is willing to trade this asset. There is demand but no supply, or vice versa.

This risk does not practically exist when DELTASTOCK is acting as a principal (counterparty); there is no actual delivery of the asset in such trades. Furthermore, this risk is not typical in the case of currency trading, currency cross trading, as well as in precious metal trading.

#### **6.7. Volatility risk**

This is the risk connected with the price movements of a given tradeable asset. The volatility is high, if the traded asset is subject to large price fluctuations in a given period of time. The risk of volatility is calculated as the difference between the lowest and highest prices of traded asset for the given period of time. The risk is represented differently depending on the different classes of tradeable assets.

#### **6.8. Credit risk (relevant mostly in respect of securities)**

This is the possibility that the counterparty may not fulfill willingly (willful default), or may not be able to fulfill the contractual commitments. Investors need to assess the quality of the issuers of securities, as well as their capability to repay their liabilities.

#### **6.9. Risk of the location of the order**

This risk is connected with the location of the market of the respective asset. When the market is not located in the investor's country of residence, he/she undertakes a currency risk.

External Markets: every investment effected on a foreign market is subject to the risks of that market. These risks may be different from those of the market where the securities are issued, or where the investor operates.

Emerging markets: they carry risks which are not always relevant to the developed markets. These risks also exist where a large part of the issuer's business is carried out on those markets. Investing in emerging markets is frequently speculative in nature. Such investments require careful consideration and assessment of the various risks relevant to such markets.

This risk does not practically exist with regards to currency and precious metal trading where DELTASTOCK is acting as a principal (counterparty); no physical delivery takes place in such trades. .

#### **6.10. Settlement risk**

This is the risk of not performing a settlement in a payment system due to the inability of a participant in the payment system to fulfill its obligations. This risk is equal to the difference between the price of a given asset on the theoretical date of execution and the price of the asset on the date of execution. This is the difference between the settlement price approved for the traded asset and the current market price at the time of settlement when the difference may lead to loss.

In certain circumstances the settlement procedure may be influenced by the number of trades and in this way their execution may be prevented. The impossibility to effect the settlement due to similar problems may prevent investors from advantageous investment opportunities and may lead to losses.

The settlement risk may arise either as credit or liquidity risk.

#### **6.11. Custody risk**

This risk relates to investments in a given market, mostly in emerging markets, on which the rules and regulations concerning the system of custody services may be less developed in the area of investor protection compared to those markets which have strict custody rules. The assets on these markets entrusted to custodians, where such are necessary, may be subject to risks related to the impossibility of custodians to perform their obligations. This risk is magnified when there is no system for investor compensation on the respective market, or, if such system exists, but a given investor is not covered by the protection offered by the system.

This risk does not practically exist with regards to currency and precious metal trading where DELTASTOCK is acting as a principal (counterparty); no physical delivery takes place in such trades. .

#### **6.12. Legal risk**

This is the risk of insecurity as a result of legal actions or insecurity regarding the enforceability of contracts, statutes or statutory regulations (for instance concerning the lawfulness of the contract, the legal capacity of the party to enter into contract, etc.)

#### **6.13. Political risk**

This is the risk of the government imposing new taxes, statutory or legal obligations, or restriction on tradeable assets which a given investor already holds. For example, the government may decide to prohibit asset repatriation from the country.

**Please discuss with us anything you do not understand with regard to this Risk Disclosure.**



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