RISK DISCLOSURE

FOR

PELICAN EXCHANGE EUROPE (CY) LTD

Revision History

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RISK DISCLOSURE

THIS RISK DISCLOSURE NOTICE DOES NOT DISCLOSE OR EXPLAIN ALL OF THE RISKS AND OTHER SIGNIFICANT ASPECTS INVOLVED IN TRADING IN CONTRACT FOR DIFFERENCES (CFDs) AND OTHER FINANCIAL DERIVATIVE PRODUCTS.

TRADING IN LEVERAGED DERIVATIVE PRODCUTS SUCH AS CFDs IS HIGH RISK AND PLACES YOUR CAPITAL AT RISK. YOU CAN LOSE ALL OF YOUR INVESTED CAPITAL.

THE VALUE OF YOUR INVESTMENTS MAY FALL AND RISE AND YOU MAY NOT GET BACK THE AMOUNT YOU INITIALLY INVESTED. YOU MAY ALSO NEED TO DEPOSIT FURTHER FUNDS WITH LITTLE OR NO NOTICE.

WE DO NOT PROVIDE INVESTMENT ADVICE. IF YOU ARE UNSURE THIS FORM OF INVESTING IS APPROPRIATE FOR YOU, YOU SHOULD SEEK ADVCIE FROM AN INDEPENDENT & AUTHORISED FINANCIAL ADVISOR.

PELICAN EXCHANGE EUROPE (CY) LTD (“the Company”, “Pelican”, “we”, “us”, “our”) is authorised and regulated by the Cyprus Securities and Exchange Commission (CySEC) under licence number /23 and registration number HE426432.

Our licence details can be found on the CySEC website. The physical address of PELICAN EXCHANGE EUROPE (CY) LTD is 50 Agias Zonis Street, Arianthi Court, 2nd Floor, 3090, Limassol, Cyprus.

PLEASE READ THE BELOW BEFORE UNDERTAKING ANY TRADES WITH US

1. INTRODUCTION

The purpose of this document is to help you understand the associated risks of trading Contracts for Differences (CFDs), which you may invest in through the services provided to you by Pelican. Trading by reviewing this Disclosure document, you are under no obligation to commit an investment with Pelican, however, the content should be read by clients proposing to execute their trades on the Pelican trading platform. Each Client should ensure that their decision to trade CFDs or Forex is made on an informed basis and that they are aware of and understand the risks involved in trading CFDs.

Before deciding to participate in the leveraged derivative market, you should carefully consider your level of knowledge and experience. You should ensure to have sufficient knowledge and experience of trading in leveraged derivative products such as CFDs and Forex.

You should also consider your investment objectives and risk appetite are in line with the speculative and high-risk nature of the CFD product.

Trading CFDs carries a high level of risk to your capital, and you can lose all your invested capital. The degree of risk of trading CFDs compared to other financial products is significantly higher. Do not invest money you cannot afford to lose.

The effect of leverage is that a small price movement can cause both gains and losses to be magnified. The high degree of leverage can work against you as well as for you and the speeds which profits and losses can occur, means that clients should monitor positions closely – it is the clients’ sole responsibility to monitor open trades. You may need to deposit further funds with little or no notice to keep your positions open. Trading CFDs and Forex may not be suitable for all investors. Please seek independent professional financial advice if you do not understand the risks involved in trading CFDs.

Should you have any complaint (i.e. any expression of dissatisfaction) about the service you have been provided, you must immediately contact Pelican exchange Europe (CY) Ltd on complianceeu@pelicantrading.io . Such complaint will be dealt with in accordance with the complaints policy details of which can be found on the website: www.pelicaneu.com .

2. CFDs IN GENERAL

CFDs are a type of transaction, the purpose of which is to secure a profit or avoid a loss by reference to fluctuations in the value or price of an underlying financial instrument. Types of CFDs include but are not limited to, Foreign Exchange (Forex) CFDs, Futures CFDs, Option CFDs, Share CFDs, Stock Index CFDs, Commodity CFDs and Cryptocurrency CFDs. CFDs can only be settled in Cash.

A CFD (Contract for Difference) is an agreement to exchange the difference between the opening and closing value of a contract at its close. Trading CFDs is a way of trading on the upward or downward price movements of traditional financial markets without buying or selling the underlying asset directly.

Leveraged Derivative products such as CFDs are known as 'complex financial instruments. A 'complex financial instrument' is a high-risk investment and requires a greater level of experience and knowledge of the underlying risks involved. Complex financial instruments include instruments such as derivatives, which are not considered to be 'readily realisable' (potentially difficult to sell when you want to). Examples of complex financial instruments are as follow:

• Contract for Differences (CFDs)

CFDs are complex financial products function such that they generally only close when a client chooses to close an existing open position, and therefore they have no set maturity date.

CFDs can be likened to futures which can be entered into in relation to certain indexes, precious metals, oil, commodities, or financial instruments. However, unlike other futures, these contracts can only be settled in cash. Investing in a CFD carries risks similar to investing in a future and you should be aware of these. Transactions in CFDs may also have a contingent liability and you should be aware of the implications of this as set out in paragraph 9 below. All CFD trades are contracts for difference which means that clients do not have any ownership, reference share or voting rights on the underlying instrument or the rights which are attached unless specifically stated in the CFD.

Investing in CFDs, where the underlying is rolling spot forex, indices, precious metals, oil and commodities, carries similar risks as investing in futures and you should be aware of these risks. Margined transactions in rolling forex, indexes, precious metals, oil and commodities may also have a contingent liability and you should be aware of the implications of this as set out in paragraph 9.

In addition to risk disclosures contained in this document, you should be aware that trading in CFDs where the underlying instruments are rolling forex, indexes, precious metals, oil and commodities, is one of the riskiest forms of investments available in the financial markets. Given the possibility of losing an entire investment, speculation in the precious metals, indexes, oil, commodities, or foreign exchange markets should only be conducted with extreme caution and with the certainty that should you lose all of your invested capital, your health, wellbeing financial commitments will not be affected.

3. MARGIN

Margin is the amount of money you need to open a position, defined by the margin rate. Margin trading is a high-risk trading strategy that allows you to trade more than the capital or 'margin' that a firm holds for you.

This is also known as 'leverage' or 'leverage trading', which means that you can place trades that are greater than the relatively small amount of money that you have deposited as margin. With margin trading you can make significant gains if the price moves in your favour however, even a small movement in price against you, this can also lead to significant losses.

If this happens, you may be required to deposit additional margin with us immediately to keep these trades open, this is referred to as a 'Margin Call'. You are liable for ensuring that you always deposit enough margin and for any losses that you may incur when your positions are closed. There is no limit on the potential losses or profits when you carry out margin trading and you should always consider this when making trading decisions.

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 positions may be closed at a loss and you can lose your entire investments.

As there is no limit to the losses that you may incur, you should ensure that you have sufficient resources available to you to cover any adverse movement in the price of the margined product, any margin requirement or loss.

4. FOREIGN MARKETS RISKS

Foreign markets involve different risks from the client's native markets. In some cases, risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign currency will be affected by fluctuations in foreign exchange rates. Such enhanced risks include the risks of political or economic policy charges in a foreign market, which may substantially and permanently alter the conditions, term marketability or price of a foreign currency.

5. EXCHANGE RISK

CFDs are exposed to 'exchange risk'. Exchange risk also known as "currency risk", which is the risk of loss (or gain) from unforeseen changes in exchange rates (the prices at which currencies trade for each other). There is a risk that you will have to close out a long or short position in a foreign currency at a loss due to an adverse movement in exchange rates. It can also be described as the uncertainty of returns where you purchase securities in a currency different to your domestic currency.

6. LIQUIDITY RISK

CFDs are exposed to 'liquidity risk'. Liquidity risk arises from situations in which an investor interested in trading a security cannot do so because no one in the market wants to trade that security. It is the inability to find buyers on the terms desired. It is also the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss.

Non-highly traded securities bear higher liquidity risk since there is a risk of having difficulty in liquidating an investment position without taking a significant discount from current market value. The liquidity risk is usually reflected in a wide bid-ask spread and large price movements and can take the following three forms:

- Bid-ask spread: how much a trader can lose by selling an asset and buying it back right away.
- Market depth: how many unit's traders can sell or buy at the current bid or ask price without moving the price.

- Market resiliency: how long it takes for prices that are temporarily incorrect to return to normal.

7. MARKET VOLATILITY

Financial markets may fluctuate rapidly, and the prices of our products will reflect this. Spreads fluctuate just like exchange rates. You face increased periods of price volatility during market events such as economic and political news announcements, elections and so forth. During this period there may be times where spreads are considerably wider than usual. This can impact your account in the following ways: in general, wide spreads will mean the cost of closing your position will be greater. This will reflect as a loss to your equity and raises the chance of you breaching your margin requirement.

Under extreme volatility you will see your profit and loss fluctuate far more than normal. This means you may enter margin close out quicker and significantly raises the possibility of your account entering negative equity. If the market were to spike, crash or gap, it could result in significant losses especially for a highly leveraged trading account.

Gapping is a risk that arises because of market volatility. Gapping occurs when the prices of our products suddenly shift from one price to another, because of market volatility. There may not always be an opportunity for you to place an order or for the platform to execute an order between the two price levels. One of the effects of this may be that stop-loss orders are executed at unfavourable prices, either higher or lower than you may have anticipated, depending on the direction of your trades.

8. RISK MANAGEMENT STRATEGIES

The placing of certain orders (e.g. “stop loss” or “stop limits” orders) that are intended to limit losses to certain amounts are not guaranteed and may not always work because market conditions or technological limitations may make it impossible to execute such orders. Should clients trade using risk management strategies, they do so accept this risk involved and understand that there is no guarantee of the reduction in risk when using any risk management strategies.

9. CONTNGENT LIABILITY TRANSACTIONS

CFDs and Forex are margined transactions requiring you to make a series of payments against the contract value, instead of paying the entire contract value immediately. You may sustain a total loss of the margin you deposit with Pelican to establish and/or maintain a position. Pelican as the key counterparty to your transactions, provides revaluations of your open positions to Pelican, continuously during each business day, and any profit or loss is immediately reflected in your trading account. Any losses may result in Pelican notifying you, at short notice, to pay substantial additional margin to maintain your open positions, this is called a ‘Margin Call’. <u>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 positions may be closed at a substantial loss and you will be liable for any resulting deficit.</u>

10. LEVERAGE & GEARING

Whilst derivatives instruments can be utilized for the management of the risk, some investments are unsuitable for many investors. CFD trading carry a high degree of risk. The gearing and leverage that is obtainable with CFDs trading means that you only need to place a small deposit with Pelican, to submit orders for transmission and hence commence trading with Pelican, although you should bear in mind that this small deposit may result in large losses or large gains.

Highly leveraged transactions are subject to significant changes in price as a result of relatively small changes in the price of an underlying financial instrument or related market factor. Therefore, a relatively small movement in the underlying market can have a disproportionately dramatic effect on your trade. Even a small movement in the underlying market may result in the loss of your entire margin amount and leave you liable for any other losses sustained on the position. Therefore, it is imperative that you only speculate with money that you can afford to lose.

11. CLIENT MONEY

Pelican Exchange Europe Ltd does not hold Clients' funds.

12. WEEKEND RISK

Various situations, developments or events may arise over a weekend when the markets generally close for trading, that may cause the markets to open at a significantly different price from where they closed on Friday afternoon. You will not be able to use the Platform to place or change orders over the weekend and at other times when the markets are generally closed. There is a substantial risk that non-guaranteed stop-loss orders left to protect open positions held over the weekend will be executed at levels significantly worse than their specified price. When doing this, a client accepts this risk and that they will be liable for any resulting deficit. You should therefore regulatory monitor your account closely to help prevent such potential occurrences.

13. EXECUTION ONLY

You carry out your trading activities on an execution only basis. This means that we will not provide you with investment advice relating to investments or possible transactions in investments. We are permitted to provide factual market information and information about transaction procedures, potential risks involved and how those risks may be minimised, but any decision made to trade must be yours.

14. ELECTRONIC TRADING

Trading in OTC contracts through the Platform may differ from trading on other electronic trading systems as well as from trading in a conventional or open market. You will be exposed to risks associated with the electronic trading system including the failure of hardware and software and system down time, with respect to the Platform, your systems and the communications infrastructure (for example the internet) connecting the Platform with you.

15. TAX RISK

You take the risk that your trades and any related profits may be or become subject to tax. We do not represent or warrant that no tax or stamp duty (other than trading duty) will be payable. Unless specifically stated by us, you will be responsible for all taxes and stamp duty in respect of your trades. Pelican does not provide any tax advice to clients, and you are responsible for your own tax affairs.

16. TRADING SUSPENSIONS

Under certain conditions it may be difficult or impossible to liquidate a position. This can occur, for example, at times of rapid price movement where the price of an underlying financial instrument rises or falls during one trading session to such an extent that trading in the underlying is restricted or suspended. Where this occurs, the client accepts any associated risk and that they will be liable for any resulting deficit. The client should also be aware that under certain circumstances Pelican may be required to close positions due to regulatory or exchange instructions and as such neither Pelican nor Pelican Exchange Europe CY Ltd are responsible for any losses that may result.

17. COMMUNICATION

Pelican accepts no responsibility for any losses that arise as a result of delayed or unreceived communication sent to a client from us by any form. The client further accepts that any losses arising because of unauthorized access of a third party to the clients' trading platform is not the responsibility of Pelican except in the case of gross negligence on behalf of the company or its staff. The client is responsible for keeping all login details safe and Pelican strongly recommends that user details are not written down or saved.

18. NON-ADVICE

Pelican does not provide investment advice. Whilst we may under our license make general assessments of the markets, such assessments are not individual investment advice and do not take into consideration your individual circumstances. Any decision to trade is made by the Client alone.

Under Markets in Financial Directive (MFID II) we are required to assess the appropriateness of this type of product for you in accordance with the level of your knowledge and experience of the product to understand the risks involved in trading the product. This does not mean that by allowing you to open an account we are providing individual investment advice, or that this product is appropriate for you in your individual circumstances. Rather we are indicating that it may be appropriate for someone who demonstrates to have knowledge and experience to understand the risks involved in trading such high-risk product. To do this we will ask you information regarding your experience with the products such as the number of years you have traded, frequency of trading, volume traded, types of leveraged derivatives traded, and in relation to your knowledge of the product. We also ask you questions about your financial situation, your source of funds and earnings. The information you provide will be confidential and secure in accordance with our Privacy Policy available on our website. In accordance with regulatory requirements, we must hold all your information for an additional 5 years from the end of your relationship with us. You are permitted to obtain from us any information we hold about you. You are responsible for ensuring we are updated with any relevant information that may affect the appropriateness of the product.

19. POSITION MONITORING

It is the clients' responsibility to monitor at all times the positions they have opened, and you should always be in a position to do so.

This document should be read in conjunction with: The Order Execution Policy, the Terms & Conditions, the Conflicts of Interest Policy, Privacy Policy and any other document supplied or otherwise made available to the client.

It should be noted that the information contained in this document does not disclose or explain all of the risks and other aspects involved in dealing in Cryptocurrency CFDs and you should seek advice from an independent professional financial advisor if you have any doubts. If you do not understand the risks involved in trading in cryptocurrency CFDs, you should not trade at all. Please make sure that you have carefully read and understood the clauses related to cryptocurrencies in our Terms & Condition Policy on our Pelican Legal Documents webpage www.pelicaneu.com documents and make sure that you fully understand the risks associated to trading CFDs on cryptocurrencies.