



CTS Cloud Trading Solutions Ltd

Risk Disclosure Notice
December 2024



Introduction

CTS Cloud Trading Solutions Ltd, previously registered as Novox Capital Ltd, (the “**Company**”, “**CTS**”) is a Cyprus Investment Firm authorised and regulated by the Cyprus Securities & Exchange Commission (the “**CySEC**”), under License No.: 224/14.

This notice is provided in accordance with CySEC's Law 87(I)/2017 and all relevant CySEC Circulars and Directives. It is issued to individuals who are considering engaging with us in the CFDs offered by the company across various financial markets. Unless explicitly defined in this notice, words and expressions shall bear the meanings provided in the Client Agreement.

Prospective clients are urged to carefully examine the following risk warnings. Please note that this notice may not include all the risks and significant aspects associated with Financial Contracts for Difference (the “**CFDs**”).

The Company has presented a non-exhaustive description of the general nature of risks associated with Financial Instruments, delivering this information honestly and without misleading statements. It is crucial to read this notice alongside the Client Agreement, which outlines the terms and conditions under which we provide these products.

While this notice aims to provide a broad understanding of the risks associated to our products and CFD trading, it's essential to recognize that each trade carries unique risks not covered in this general notice. To understand the risks associated with our financial products, as well as detailed numerical examples illustrating the effects of leverage in various market scenarios on the invested amount and the influence of costs, we strongly recommend reviewing the Key Information Document (KID) corresponding to each product type accessible on our website.

The Company executes orders pertaining to one or more financial instruments, primarily CFDs with various underlying assets, acting as the principal or riskless principal and serving as the sole Execution Venue for the execution of clients' CFD orders.

CFDs present a higher risk of loss compared to trading traditional instruments like shares in large companies or government or corporate bonds.

They are complex instruments with a high risk of losing money due to leverage, and the majority of retail investors incur losses when trading CFDs. Clients should assess their understanding of CFDs and their ability to bear the high risk of losing money.



For many individuals, trading in our products may not be suitable. It is imperative not to engage in trading in our products unless you fully comprehend and can manage the features and risks associated with such trading, ensuring that it aligns with your circumstances and financial resources.

Clients who lack a comprehensive understanding of the risks associated with financial instruments should abstain from trading. They should not risk more capital than they can afford to lose. In cases where a client remains unclear about the risks, even after consulting a financial advisor, it is advisable to refrain from trading.

Purchasing and selling financial instruments involves a substantial risk of losses and damages. Clients should acknowledge that the investment's value can both increase and decrease, and they will be held accountable for losses and damages. These losses could lead to the total loss of the invested capital once trading decisions are made.

Risks of Products and Associated Risks in Relation to Financial Contracts for Difference

The Company offers Contracts for Differences (CFDs) and margined FX products. CFDs are derivative products whose prices depend on or derive from the prices of other underlying instruments. These are Over the Counter (OTC) products, allowing investors to gain exposure to the price movements of underlying financial instruments without the necessity of owning the physical asset. The Company is the exclusive execution venue for client orders and thus the counterparty for all client orders. Before deciding to trade our products, you should consider the following risks:

1. Cryptocurrency Trading

Cryptocurrency CFDs are complex, highly risky, and often speculative. Trading in Cryptocurrency CFDs exposes clients to a high risk of losing funds over a short period due to market volatility, execution issues, and industry-specific disruptive events. These events include, but are not limited to, discontinuations, regulatory bans, and other adverse developments within cryptocurrency ecosystems.

The pricing of Cryptocurrency CFDs may be derived from specific cryptocurrency exchanges, leading to limited market depth based on the order books of such exchanges. These markets are relatively new and may exhibit volatility and liquidity limitations.



Cryptocurrency exchange pricing engines may experience delays and interruptions due to various potential issues.

Cryptocurrency CFD trading is not suitable for all investors. Therefore, anyone seeking to trade in Cryptocurrency CFDs should possess updated knowledge and expertise in these products. Clients must be fully aware of and understand the specific characteristics and risks detailed in this section.

2. Leverage

Trading these products involves a high degree of leverage. This results from the margin system that applies to these products, requiring only modest funds relative to the contract's overall value to open a trade. Leverage can work in the client's favour, amplifying returns on invested capital. However, unfavourable price movements can lead to substantial losses, potentially exceeding the invested capital.

Prices can fluctuate rapidly, especially during periods of high market volatility. Unfavourable price movements can lead to significant losses when client trades are impacted. Failure to maintain sufficient funds in the client's account to meet Margin Requirements may lead to the closure of open positions, potentially without prior warning. A Margin Close Out may occur if the Margin Level for the client's account reaches or falls below the Margin Close Out level, as required by applicable laws and regulations. This measure is designed to limit the extent of trading losses, and clients will be liable for any losses incurred.

3. Volatility

Under Abnormal Market Conditions, it's important to note that the execution period for orders may be extended, or it may be impossible to execute orders at the declared prices, or they may not be executed at all. Additionally, heightened volatility during such conditions can significantly impact the liquidity offered and the Volume Weighted Average Price (VWAP) of executed trades, particularly for larger orders.

Furthermore, the risk of spread widening, stemming from increased volatility or low liquidity, should be considered. This widening of spreads may result in less favorable execution prices. In some cases, the combination of one or more than one of these factors may lead to an automatic close out of positions, especially if margin limits are breached. Traders and investors should remain vigilant to these potential outcomes and adapt their strategies, accordingly, taking into account the dynamic nature of market conditions during abnormal circumstances.



Abnormal Market Conditions include rapid price fluctuations, significant rises or falls within a single trading session, trading suspensions or restrictions under exchange rules, liquidity shortages, or such conditions that may occur at the beginning of trading sessions.

Whether clients make a profit or loss depends on our prices and fluctuations in the price of the underlying instrument to which their trade relates. Price movements in the underlying instrument can be volatile and unpredictable.

Gapping, characterized by significant price changes between consecutive quotes, is a feature of volatile markets. Gapping can occur in fast-rising or falling markets or due to the release of price-sensitive information before market opening. If Gapping occurs, the execution price may significantly exceed the client's specified order price.

Slippage is another phenomenon, which typically occurs during periods of high volatility. It involves executing an order at a price different from the expected price.

4. Liquidity

Decreased liquidity, indicating the availability of buyers and sellers willing to engage in an underlying market, may have an adverse impact on Our Price and our ability to quote and trade in a Market.

A significant reduction or temporary or permanent cessation of liquidity in an underlying instrument may be deemed an Event Outside of Our Control or a Market Disruption Event. In such cases, we may adjust Our Price, suspend trading, or take other reasonable actions as circumstances dictate, potentially restricting the client's ability to place trades or close open positions.

5. Risk-Reducing Orders or Strategies

Placing certain orders, such as 'Stop Loss' or 'Stop Limit' orders to limit losses to specific amounts, may not be sufficient. Market conditions can render it impossible to execute such orders due to illiquidity or gaps.

6. Client Money and Counterparty Risk

The Company segregates clients' funds in accounts held at credit institutions within or outside the EEA. Retail clients' funds are segregated from the Company's own funds, and no Title Transfer Collateral Arrangement (TTCA) is permitted for retail clients. The Company



promptly deposits any client money received into one or more segregated accounts with reputable financial institutions, whether within or outside Cyprus or the EEA.

The selection of the financial institution is carried out with due skill, care, and diligence in compliance with Applicable Regulations. However, circumstances beyond the Company's control may result in the insolvency or other analogous proceedings or failure of the financial institution holding client money, for which the Company does not accept liability.

The Company, as a counterparty to your trades, might be unable to meet its contractual obligations. The Company implements a margin close-out policy designed to close out open positions when a client's Margin Level reaches or falls below the Margin Close Out Level.

This policy is intended to reduce the likelihood of losses resulting from client default that would result in our insolvency. Additionally, the Company has established a Risk Management Policy, as per which there are specified risk thresholds which, if exceeded, the excess risk is hedged.

The Company's retail clients are eligible for compensation through the Investor Compensation Fund (ICF) Scheme in the Republic of Cyprus in the unlikely event of the Company's insolvency. The Company is a member of the ICF, and we publish the Investor Compensation Fund Policy on our website.

7. Foreign Currency

Trading a financial instrument in a currency other than the client's country of residence may expose them to exchange rate fluctuations that could negatively affect the instrument's value, price, and performance, potentially resulting in losses.

8. Commission/Charges and Taxes

Prior to trading, it's essential to understand the commissions, charges, and any other fees associated with CFDs and the underlying instruments. Even if charges are not explicitly expressed in monetary terms (for instance, as a percentage of contract value), clients should ensure they comprehend the potential cost. The Company reserves the right to modify its charges in accordance with the terms specified in the Client Agreement available on the Company's website.

There is a possibility that the client's trades in any financial instruments may be subject to taxes and/or other duties. This could occur due to legislative changes or changes in the client's personal circumstances. The Company does not provide tax advice and recommends that clients seek guidance from competent tax professionals if they have any inquiries. The client is responsible for any taxes and/or other duties.

9. Dealing Off-Exchange

The Company provides off-exchange transactions for CFDs.

The Company sets trading conditions, subject to obligations for best execution, reasonable conduct, the Client Agreement, and the Order Execution Policy.

Each CFD order is entered with the Company and cannot be transferred to other parties. While some off-exchange markets may be highly liquid, trading off-exchange or in non-transferable derivatives may entail greater risk than on-exchange derivatives due to the absence of an exchange market to close out an open position.

10. Suspension of Trading

Under certain trading conditions, the process of liquidating a position may prove challenging or even impossible. Specifically, if the underlying asset of the CFD is suspended from trading, trading activities may be temporarily halted. This suspension of trading can arise not only due to force majeure events, as outlined in "Force Majeure Events," but also if the underlying asset itself is subject to suspension.

During these periods, characterized by rapid price movements or significant fluctuations, trading may be subject to suspension or restrictions in accordance with exchange rules. It's essential to note that, when trading is suspended, pending orders cannot not be executed until trading resumes related to their trades.

11. Technical Risks

The Company places great emphasis on the execution of client orders, aiming to offer the fastest possible execution speed within the constraints of technology and communication links.

Clients bear the risk of financial losses resulting from information, communication, electronic, or other system failures. Clients are also responsible for safeguarding their Access Data.

When clients engage in transactions on an electronic system, such as trading platforms, they expose themselves to risks associated with the system, including hardware and software failures (e.g., Internet/servers). For example, a delay on the Company's platform when receiving an order could affect the execution price. In such cases, the Company is not liable for these failures.



Clients should acknowledge that the Internet might be subject to events affecting access to the Company's website and/or trading platform/system. These events include but are not limited to interruptions, transmission blackouts, software and hardware failures, internet disconnections, public electricity network failures, or hacker attacks. The Company is not responsible for any losses, costs, liabilities, or expenses resulting from such events, which are beyond its control, or for any other losses, including loss of profit, due to the client's inability to access the Company's website, trading system, or delays or failures in order transmission.

12. Communication Between the Client and the Company

Clients should acknowledge the risk of financial losses caused by delayed receipt of notices from the Company or failure to receive them at all.

Clients should be aware that unencrypted information transmitted via email is vulnerable to unauthorized access.

The Company bears no responsibility if unauthorized third parties gain access to information, including electronic addresses, electronic communication, personal data, and access data, during transmission between the Company and the client, or when using the internet or other network communication facilities, telephone, or other electronic means.

Clients are fully responsible for the risks related to undelivered Company Online Trading System internal mail messages sent to the client by the Company.

13. Force Majeure Events

In the event of a Force Majeure Event, the Company may be unable to execute Client Orders or fulfil its obligations under the agreement with the client. Consequently, clients may suffer financial loss. The Company will not be liable for any loss or damage arising from a failure, interruption, or delay in performing its obligations under this Agreement due to a Force Majeure event.

