

## **OTC DERIVATIVES AND CFD's RISK DISCLOSURE STATEMENT**

In consideration of Centrino Capital Ltd. (referred to as the “Centrino Capital”, “Company”, “we”, or “our”) entering into over-the-counter (“OTC”) derivatives and Contracts for Differences (“CFDs”) with you (the “Client”, “you”, or “your”), you hereby acknowledge, understand, and agree to the terms described in this Risk Disclosure Policy.

This disclaimer is intended for informational purposes and does not represent a comprehensive list of all potential risks associated with trading. Please note that not all risks or critical aspects of trading in Financial Instruments (including CFDs) are disclosed or explained in full. We aim to provide a clear and non-misleading overview of the general risks involved in trading Financial Instruments.

You are strongly advised to read all related legal documents available on our website, prior to engaging in any business relationship with us. These documents, together with this Risk Disclosure Policy, form the basis of our agreement with you. We recommend that you carefully review and fully understand these documents before proceeding.

### **1. Introduction**

OTC Derivatives and Contracts for Difference are complex instruments that provide no capital protection, and no guaranteed return, whereas the trading results are magnified due to the effect of leverage. Trading CFDs is not suitable for all investors; traders should make sure that they fully understand the features of the product and the risks involved before opening trading account(s). Traders should ensure that they only trade the amounts they can afford to lose, while being aware of trading risks.

This OTC Derivatives and CFD Risk Disclosure Statement (the “Disclosure Statement”) describes the key risks associated with trading leveraged financial instruments and contracts for difference. It does not provide an exhaustive account of all risks related to such transactions. This Disclosure Statement forms an integral part of the Company’s Terms and Conditions and Client Agreement. Unless otherwise specified, definitions provided in the Terms and Conditions and Client Agreement shall apply for the purposes of this Disclosure Statement.

This Disclosure Statement must be read in conjunction with the Terms and Conditions, the Client Agreement, the Company’s website, Trading platform, the Trading Rules, and any product-specific documentation and risk summaries or statements available on the Company’s website or trading interface. These materials offer further insight into the potential risks clients may encounter when engaging in margin-based or derivative trading.

### **2. Legal Framework**

In accordance with the applicable Rules & Regulations, as amended from time to time, which govern the operations of the Company, we hereby provide the following official statement regarding the risks involved in financial instrument transactions undertaken by our Clients.

This Risk Disclosure Statement should be read alongside the Company's Terms and Conditions, Client Agreement, Privacy Policy, Order Execution Policy, and Conflict of Interest Policy, all of which are available on our website. These documents collectively describe the framework of our relationship with you and provide essential information on how we operate and manage risk on your behalf.

The Company is incorporated and regulated under the laws of St. Lucia. Accordingly, clients should note that investor compensation schemes, deposit protection schemes, and certain regulatory protections available in other jurisdictions may not apply.

### 3. Objectives

The Company provides investment opportunities in Contracts for Differences (CFDs), which are over-the-counter (OTC) derivative products. CFDs allow Clients to gain exposure to the price movements, whether gains or losses, of an underlying financial instrument without owning the actual asset. These instruments carry inherent market risks.

This Risk Disclosure Statement is for informational purposes only and does not constitute any warranty, guarantee, or complete listing of all potential risks associated with our investment services. The content should not be viewed as financial advice, investment objectives, or a representation of your personal financial situation.

Before making any investment decisions based on the information provided here, you agree to seek professional financial advice tailored to your specific goals and circumstances.

By proceeding, you confirm that you have read, understood, and accepted the risks involved, including but not limited to:

- i. **International Market Risk:** Financial instruments linked to foreign markets may involve risks different from those in your local market. These may include higher risks due to factors like exchange rate volatility and geopolitical events, which can significantly affect returns.
- ii. **Liquidity Risk:** Certain financial instruments may become illiquid due to limited demand or supply. This can result in difficulty selling the instrument or obtaining accurate pricing information.
- iii. **Tax Obligations:** You are solely responsible for understanding and fulfilling any tax obligations related to your CFD transactions. CFDs may be subject to taxes or other duties under the laws of your jurisdiction, and it is your responsibility to ensure compliance.

- iv. **Regulatory and Legal Risk:** Trading with the Company is governed by the laws of St. Lucia. Depending on your jurisdiction, certain investor protections or dispute resolution mechanisms may not apply.

The Company disclaims any liability for your personal tax affairs or financial decisions made without independent consultation.

#### 4. High Risk of Loss in CFD Trading

Trading financial instruments and Contracts for Difference (CFDs) is high risk and speculative. These products are generally suitable only for clients who can handle the possibility of losing more than the money they invested.

Industry data shows that around 70%–80% of retail clients (those who are not professional or institutional clients) lose money when trading CFDs and foreign exchange instruments. In some cases, losses can be unlimited, meaning you could lose more than the balance in your account. If protective actions are not taken quickly, your total losses could be greater than the funds you have deposited with the Company.

CFDs are linked to different underlying assets, including currencies, commodities, precious metals (bullions), equities, securities, and indexes. Each underlying asset carries its own specific risks in addition to the general risks described in this Disclosure Statement.

Before trading CFDs, you should make sure you understand these risks and are familiar with the markets of the underlying assets. More details can be found in the Company's Risk Disclosure Statement and related policies, which are available on our website.

It is important to note that financial markets, bullion markets, and other underlying asset markets can be extremely volatile and unpredictable. Price movements may be sudden and difficult to forecast.

These markets may also experience periods of low liquidity or no liquidity at all, which can affect your trading. Low liquidity may result in:

- i. rapid and unexpected price swings,
- ii. wider spreads, and
- iii. higher chances of order rejection.

In such conditions, risk-management tools (such as stop-loss orders) may not always work as intended.

#### 5. How Leverage Can Greatly Increase Losses

The Company may allow you to trade using margin, which means you can open positions that are larger than the amount of money you deposit (the margin requirement). This is called leverage. While leverage can increase your potential profits, it also magnifies potential losses.

Example:

If you open an EUR/USD position worth €100,000 with leverage of 10:1, you only need to deposit €10,000 as margin. If the euro falls by just 1% against the U.S. dollar, your loss will be €1,000 (10% of your invested amount).

The higher the leverage, the greater your exposure to market volatility and the higher your risk of loss. You are responsible for choosing the leverage level that matches your financial situation and risk tolerance. The Company does not decide whether your chosen leverage is suitable for you.

It is important to understand that:

- i. Losses can be greater than the funds you deposited.
- ii. Even a small negative price movement in the underlying asset can cause losses beyond your initial margin.
- iii. If your account does not have enough equity to cover losses, you will be responsible for paying any shortfall owed to the Company.
- iv. These risks also apply when holding short positions, because the price of the underlying asset can, in theory, rise without limit, which could result in losses greater than your investment.

Unless specifically stated in your Client Agreement, the Company does not provide Negative Balance Protection. This means your losses may exceed the funds in your account, and you will still be liable to the Company for any shortfall.

## **6. Automatic Liquidation of Positions if Margin Falls Short**

The Company uses an Automatic Liquidation System. This system closes your open positions if your account equity falls below certain thresholds (known as the Liquidation Trigger). Unless otherwise agreed, this system is always active.

It's important to understand that:

- i. The system is operated for the protection of the Company, not to protect you from losses.
- ii. There is no guarantee that it will close positions in time to prevent further losses.
- iii. You should not rely on it as a risk-management tool.

To avoid liquidation, you must always maintain the Required Margin in your account.

Please also note:

- i. The Company has no obligation to issue a margin call. You may not be informed when your margin is insufficient or about to become insufficient.
- ii. The Company may change the Required Margin or other key parameters (such as leverage, maximum open positions, or the Liquidation Trigger) at any time. These changes could immediately result in your positions being liquidated.

Because of this, you should:

- i. Keep more funds in your account than the minimum Required Margin.
- ii. Regularly monitor your account, open positions, leverage, and margin requirements.

Even if you take precautions, liquidation may still occur. For example, in periods of rapid price movements, you may not have enough time to add additional margin before your positions are closed.

When liquidation is triggered, the system sends orders to close your positions as quickly as possible. However:

- i. There is no guarantee that positions will be closed immediately.
- ii. Prices and market conditions may change before the liquidation is executed.
- iii. This means your final losses may be greater than the margin you provided.

## **7. The Company as Counterparty and No Best Execution Obligation**

When you trade with the Company, the Company itself is your sole counterparty. This means:

- i. All transactions are between you and the Company, not on an exchange or multilateral trading facility.
- ii. You are exposed to the credit risk of the Company. If the Company were to become insolvent, your open positions may be closed immediately and without your consent.

You should also understand that:

- i. No position can be opened or closed without the Company agreeing to the transaction.
- ii. The Company is not obligated to enter into transactions with you.
- iii. Under the Trading Rules and Terms, the Company has wide powers to start or end transactions without consulting you.
- iv. The Company may suspend or stop the use of its trading platform at any time, including refusing to process orders.

When entering into transactions, the Company is acting in its own interest, not in yours. The Company has no duty to prevent your losses. Even if you are experiencing losses, the Company may continue to transact with you, even if stopping may be more beneficial to you.

Importantly, the Company is not bound by any duty of “best execution”. This means the Company is not required to obtain the best possible price or outcome for your orders. Because the Company is your only counterparty, it may profit from your trading losses.

This creates a potential conflict of interest, which is explained in detail in the Company’s Conflict of Interest Policy.

## **8. Risk-Management Tools May Not Always Work**

The Company provides tools on its trading platforms to help manage risk, such as different order types that execute when certain conditions are met (for example, when a price falls below a set level).

However, it is important to understand that these tools do not guarantee:

- i. That your order will be executed at the price you specified, or
- ii. That the order will be executed at all.

Execution can be affected by factors such as the liquidity available to the Company. When this happens, your order may be executed at a different price than expected, which is called slippage. You remain responsible for any transactions executed at prices that differ from your instructions.

Events can also occur outside of business hours (e.g., over the weekend). Their impact is usually felt when markets reopen. Since the Company does not process orders outside business days and may cancel such orders, you will not be able to react immediately to these events.

This creates gapping risk, the risk that, when trading resumes after a pause, prices may be significantly different from those before the interruption. Gapping can result in substantial losses and may even trigger the liquidation of your positions.

## **9. Other Risks**

Trading in currencies or other assets linked to emerging markets carries even higher risks. Many emerging markets may have:

- i. weaker infrastructure,
- ii. limited or unreliable telecommunications, and
- iii. banks or financial systems that are not fully developed, regulated, or integrated.

These countries may also have high external debt, which can affect their economies and the performance of local markets.

Tax regimes in these markets may be unpredictable, and sudden or heavy taxes could negatively impact investors.

When holding Instruments, your situation may differ from that of the holders of the underlying assets. In particular:

- i. You may not benefit from Corporate Actions (such as dividends, splits, or mergers) in the same way as holders of the underlying assets.
- ii. The Company has full discretion on how or whether to reflect Corporate Actions on your open positions and is not required to inform you about these actions.
- iii. Decisions by the Company regarding Corporate Actions may affect your margin requirements or the value of your positions.

You are responsible for:

- i. monitoring your account,
- ii. understanding Corporate Actions, and
- iii. taking action (reducing or closing positions) if you cannot maintain positions in light of these events.

You are also responsible for tax implications:

- i. Cash distributions may be net of taxes or withholding, and the Company does not guarantee that you can claim refunds or other tax relief.
- ii. Holding an Instrument instead of the underlying asset may prevent you from benefiting from certain tax advantages.

There are also technology and internet risks:

- i. Latency or delays may affect execution, so you should ensure your IT and mobile devices have fast and reliable internet.
- ii. Transactions are subject to anti-money laundering (AML) and sanctions laws, which may require restrictions on your account.
- iii. Accounts may be restricted, frozen, or closed without notice if required by law.
- iv. Technical failures, cyberattacks, or communication breakdowns may delay, reject, or prevent execution of orders, and the Company is not liable for losses caused by these events.

## 10. Considering Your Personal Situation

Before carrying out any Transactions, you should ensure that you fully understand the nature of the Transactions, the risks involved, and whether they are suitable for you. Trading financial instruments and Contracts for Difference (CFDs) is not appropriate for everyone.

You must carefully assess your personal situation, including your financial and tax circumstances, before trading. You should confirm that you have sufficient funds to carry out all Transactions and Orders. Only invest money that you can afford to lose without affecting your standard of living.

You should only take positions where potential losses may exceed your invested funds if you are able to sustain losses far greater than the amounts invested. If your personal circumstances change, you should stop trading.

Any funds used for trading in foreign exchange instruments or CFDs should be considered “risk capital”, money that you can afford to lose. These financial instruments carry very high risk and are not suitable for retirement savings or for generating safe returns.

You are fully responsible for deciding whether the Transactions you carry out are appropriate for your personal circumstances, including your financial position, tax situation, and investment objectives. If you are unsure, you should seek independent financial advice.

Trading services with the Company are provided on an execution-only basis. The Company does not provide investment advice, portfolio management, or suitability assessments, unless expressly agreed in writing.

## **11. Client’s confirmations**

By opening an Account, conducting any Transaction, or at any time the Agreement is revised or updated, you confirm and agree to the following for the benefit of the Company:

- a) You understand that trading in financial instruments and Contracts for Difference (CFDs) is highly speculative, involves extreme risk, and is generally suitable only for those who can sustain losses far greater than the amount invested.
- b) You acknowledge and understand all risks related to Transactions, including:
  - i. Leverage risks,
  - ii. Market volatility,
  - iii. Liquidity risk,
  - iv. Legal and regulatory risks,
  - v. Technology risks, and
  - vi. Any other risks that may cause loss or damage.
  - vii. You confirm that you are willing to assume these risks.
- c) You have read and understood the Terms and Conditions, the Client Agreement, the Legal Documents Section on the Company’s website, and other relevant information available on the website or trading Platform.

- d) You understand and accept the explanations regarding:
- i. Restrictions on Platform use,
  - ii. Leverage and changes to maximum leverage,
  - iii. Required Margin, and
  - iv. The Automatic Liquidation System.

You also acknowledge and accept the Company's role in Transactions and the associated risks and conflicts of interest.

- e) You accept that the Company may liquidate positions that are not adequately margined, and you will be responsible for any resulting losses. The Company may also change the Liquidation Trigger at its discretion.
- f) You acknowledge that neither the Company nor its directors, officers, employees, agents, or representatives guarantee profits. Past performance is not indicative of future results.
- g) You understand that, in some cases, losses may exceed your deposited funds, and you will be liable to the Company for any shortfall.
- h) You confirm that the Transactions you carry out are suitable for your situation. You understand that the Company does not provide personal investment advice, and any information provided is general in nature.

## **12. Governing law and jurisdiction**

This Disclosure Statement, together with the Terms and Conditions, the Client Agreement, and all other legal documents available on the Company's website, including but not limited to the Privacy Policy, Order Execution Policy, Conflict of Interest Policy, and Risk Disclosure Statement is governed, exclusively by the laws of St. Lucia.

- i. Any disputes arising from or in relation to these documents will normally be resolved in the courts located at the Company's registered office in St. Lucia.
- ii. If you reside outside St. Lucia, the Company may choose to bring proceedings in the courts of your country of residence or domicile, or any other competent court.

In all cases, St. Lucia law will continue to apply to the interpretation and enforcement of these documents.