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Product and Service Risk Disclosure Policy

(Updated in Dec 2024)

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1. Introduction

Abans Global Limited is a financial services firm providing a range of trading and investment products and services. Abans Global is authorised and regulated by the Financial Conduct Authority with reference number: 950964. We are registered in the United Kingdom and our registered office is located at 3rd Floor, 19 Gerrard Street, London. W1D 6JG.

The Product and Service Risk Disclosure (the Disclosure) is for Abans Global Limited (AGL) clients who have been classified as Professional Clients in accordance with the FCA's rules.

This Disclosure is not an exhaustive list of the risks associated with the products traded by you with AGL. It is rather intended to give you some information on and a warning of the risks associated with them.

The Disclosure does not constitute investment advice or a personal recommendation and cannot be relied upon. You should only deal in those products where you understand the nature of the contract and the risk exposure.

Investing in the financial markets involves risks, and there is a possibility of losing all or part of your invested capital. Firms must ensure that they have the appropriate level of knowledge and experience. Firms should not invest money they cannot afford to lose.

AGL is a financial intermediary/ broker and in no way provides any investment advice expressedly or implicitly.

2. Risk Associated with products and services offered by AGL

Some common risks associated with trading in products and services for which AGL acts as intermediary includes, among other:

- **Investment Risk**

Investing in financial markets involves risks, and there is a possibility of losing all or part of your invested capital, in some cases this could be more than your initial deposit. Past performance is not indicative of future results, and the value of investments may fluctuate due to various factors beyond your control. It is important to carefully consider your investment objectives, risk tolerance, and financial situation before making any investment decisions.

- **Margin Call Risk /Forced Liquidation Risk**

Margin call risk is a significant risk in margin trading, where clients borrow funds from a broker to increase the size of their trading positions. A margin call occurs when the value of a client's account falls below a certain threshold, known as the maintenance margin. This threshold is set

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by the broker and is a percentage of the total position value that must be maintained by the client's own capital.

If the client fails to deposit additional funds within the specified timeframe following a margin call, the broker may initiate the liquidation of some or all of the client's positions to cover the losses and bring the account back to the required maintenance margin level. This liquidation is often done at prevailing market prices, which may result in losses for the client. In some circumstances, this liquidation will not cover all of the outstanding debt and this will remain payable by the client.

- ❖ **Additional Deposit Risk**

When a client becomes subject to a margin call, they are required to make an additional deposit. Additional deposits can place increased financial strain on a company and create a margin call/forced liquidation risk. Timeframes for compliance with additional deposits can be short, and failure to meet them can result in position(s) being liquidated. Additional scenarios can also result in a requirement for additional deposits including abnormal market conditions or increased volatility

- ❖ **Title or Security Collateral Arrangements Risk**

Where full ownership in your cash or non-cash assets ("Relevant Funds") is transferred by you to AGL under a Title Transfer Collateral Arrangement ("TTCA") or if AGL exercises a right of use in relation to those Relevant Funds the following risks may apply:

• your rights, including any proprietary rights that you may have had, in those Relevant Funds will be replaced by an unsecured contractual claim for delivery of equivalent cash or non-cash assets subject to the terms of the relevant TTCA Agreement;

• Those relevant funds will not be held by AGL in segregated client money account. Hence the protection offered by the segregated client money account will not be available.

• in the event of AGL's insolvency or default under the relevant transaction or agreement your claim against AGL for delivery of equivalent cash or non-cash assets will not be secured and will be subject to the terms of the relevant TTCA and Applicable Local Law; and;

• Subject to any express agreement between you and AGL, we will have no obligation to inform you of any corporate events or actions in relation to those Relevant Funds. you will not be entitled to receive any dividends, coupon or other payments, interests or rights (including securities or property accruing or offered at any time) payable in relation to those Relevant Funds.

- ❖ **Market Volatility Risk**

Market volatility risk refers to the potential for significant and unpredictable price fluctuations in currency, commodity and traded investment instrument rates. The FX, Commodity and financial markets are known for their dynamic nature, and prices can experience rapid and substantial

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movements due to various factors. Some instruments trade with wide intraday ranges with volatile price movements. Understanding and managing market volatility risk is crucial for clients.

Drivers for market volatility can include, but are not limited to:
• Economic indicators
• Interest rates
• Geopolitical events
• Market sentiment

❖ **Market/Event-driven risk**

The risk associated with abrupt economic events, including regulatory or government announcements, disrupting markets is known as market risk/event-driven risk.

Regulatory changes, such as new laws, fiscal policies, or interest rate adjustments, and government announcements, like economic stimulus packages or geopolitical developments, can create uncertainty or panic in the market. To manage this risk, firms often use hedging strategies, diversification, and scenario analysis to prepare for such events and minimize their impact.

❖ **Implied Volatility Risk**

Implied volatility risk in options trading is the risk associated with changes in the market's expectation of future volatility. It is a critical component of options pricing and represents the market's consensus on the likely magnitude of future price fluctuations in the underlying currency pair or commodity. Understanding implied volatility is essential for options trading, as it directly impacts the pricing of options contracts. Implied volatility has a direct impact on option pricing and has an impact on premiums due or payable.

❖ **Currency Risk**

An adverse movement in currency rates can lead to a loss as the weakening of a currency relative to a benchmark currency or the currency of a client's account will negatively impact the client's account. Currency valuations are affected by economic, social and political factors with some countries having currency controls.

❖ **Commodity Risk**

The prices of commodities can be volatile as there are number of factors that may affect prices including; natural disasters, pandemic, armed conflict, global supply chain disruption, etc.

❖ **Leverage Risk**

Leverage risk in FX, Commodity and financial instrument derivative trading refers to the potential for magnified losses due to the use of borrowed funds or margin to control a larger position size than the trader's own capital. Leverage allows traders to amplify both gains and losses and while it can enhance profit potential, it also significantly increases the level of risk of loss. To mitigate

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leverage risk, traders/clients can employ risk management strategies such as setting stop-loss orders, using take-profit orders and maintaining a clear understanding of their risk tolerance. It's crucial for traders to be aware of the potential downsides of leverage and to use it judiciously based on their individual risk profile, access to funds and trading strategy.

❖ Slippage Risk

Slippage risk refers to the potential for a discrepancy between the expected price of a trade and the price at which the trade is ultimately executed. Slippage can occur at any time, but can be particularly seen during periods of high market volatility, rapid price movements, or when there is low liquidity in the market. Slippage can result in an unfavorable execution price for a trade compared to the price at which the trader intended to enter or exit the market. The risk of slippage is especially significant in markets such as foreign exchange, commodities and financial instruments during major news events or economic announcements.

Slippage risk can be increased by many factors, but some of note include:
- Market Volatility
- Limited liquidity
- Order Size
- News Events

❖ Gapping Risk

Gapping occurs when the price of a stock, or another asset, moves substantially without going through intermediate pricing. Often this occurs when an instrument opens above or below the previous day's close with no trading activity in between. Gaps can occur when news or market events cause market fundamentals to change rapidly during hours when markets are typically closed or have lower liquidity. Stop losses may not trigger as expected during a 'gapping' event due to the lack of intermediate pricing.

❖ Default Risk/Credit Risk

Default risk, also known as credit risk, is the risk that a firm will fail to fulfil its debt obligations, leading to a loss for the lender, investor or counterparty. It is a significant concern for individuals, financial institutions, and investors who lend money, trade financial instruments, or extend credit to others. Default risk exists both within AGL, but also with the AGL Group and the vendors and technology solutions it uses. Clients will also face default risk with trading counterparties.

To mitigate this risk, AGL implements robust credit assessments, diversification of counterparties, and sets credit limits for exposure. For exchange-traded instruments, the firm leverages exchange guarantees, which provide additional security against counterparty default, further reducing the risk to clients.

❖ Settlement Risk

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The risk that a counterparty does not deliver the commodity or security in accordance with agreed terms after the other counterparty has fulfilled its part of the agreement to deliver. The risk increases where different legs of the transaction settle in different time zones or settlement systems where netting is not possible.

❖ **Legal and Regulatory Risk**

Certain jurisdictions carry greater legal risk, for example, enforceability of contracts and regulatory changes may affect the availability of certain products

❖ **Technology Risk**

Issues with trading platforms, tools and services, such as connectivity problems, or technical glitches can lead to operational disruptions restricting the ability to enter into, exit or hedge positions. Traders need to be aware of and mitigate these risks, including ensuring they have alternative connectivity and execution solutions. AGL accepts no responsibility for disruptions to services and any loss incurred as a result.

3. Risk Mitigation Techniques at client level

There are diverse techniques that clients can employ to reduce their risk, some illustrative examples include:

- **Diversification:** Spread investments across different assets, sectors, or markets. Diversification helps reduce the impact of poor performance in one area on the overall portfolio.
- **Take-Profit Orders**: Set take-profit orders to automatically exit a position when the price reaches a desired profit level.
- **Scenario Planning and Stress Testing**: Consider various market scenarios and develop contingency plans. Being prepared for different outcomes helps traders respond quickly and effectively to unexpected events.
- **Position Sizing:** Determine the appropriate size for each trade based on the risk tolerance and overall portfolio size. Avoid putting too much capital into a single trade, limiting the potential impact of a loss.
- **Use Limit and Stop Orders:** Placing limit and stop orders can help specify the maximum price at which a trader is willing to buy or sell. These orders can be useful in limiting the impact of slippage.
- **Trade During Liquid Hours:** Trading during peak market hours when liquidity is generally higher may reduce the likelihood of slippage.
- **Monitor Economic and Trading Calendars:** Stay informed about scheduled economic releases and other events that may increase market volatility. Consider adjusting your trading strategy or position sizes during such periods.

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- **Risk Management**: Implement sound risk management practices, such as setting stop-loss orders and using appropriate position sizes, to limit the impact of adverse price movements. Closely monitoring positions and exiting unmonitored positions are also known techniques.

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