

XTB Limited Risk Disclosure Notice

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Introduction

This notice ("**Risk Disclosure Notice**") is provided to you by XTB Limited ("**XTB Limited**" "**we**" "**us**" or "**our**") in compliance with the rules of the Financial Conduct Authority ("**FCA**").

XTB Limited is authorised and regulated by the UK Financial Conduct Authority (FCA) (FRN522157) with its registered and trading office at Level 9, One Canada Square, Canary Wharf, London, E14 5AA, United Kingdom (company number 07227848).

In this notice, we provide you with information to help you understand the nature and risks of our products and services. However this **Risk Disclosure Notice** does not disclose all the risks and other significant aspects of CFD, Rolling Spot Forex and Option trading. You should not engage in our products unless you understand the nature of Over The Counter (**OTC**) Derivative trading, how it works, how you make a profit or a loss and the extent of your exposure to risk and loss. If you are in any doubt you should seek professional advice. Please be advised that financial instruments offered by XTB Limited may be not suitable or appropriate for many clients.

We are obliged under the Conduct of Business rules (COBS) to assess whether CFD, Rolling Spot Forex and Option trading is appropriate for You. To do this we will rely on You to provide accurate information when requested. If we consider from the information provided that Options, CFD trading and/or Rolling Spot Forex trading is not appropriate for You, we will provide You with an appropriate warning.

When trading OTC derivatives, your losses can involve the whole balance on your Account. If you choose to enter into a trading relationship with us, it is important that you remain aware of the risks, that you have adequate financial resources to cover such risks and that you monitor positions carefully.

The Company is committed to:

- providing a high standard of client service; and
- maintaining its reputation for credibility and accountability.

We welcome feedback on our service at any time. If you are dissatisfied with our services, please give us the opportunity to fix the problem. We will investigate, answer your questions and work hard so you enjoy trading with us. Should you feel dissatisfied with any aspect of our service, your first action should be to contact our Customer Service Team.

The following disclosures provide you with information about the nature and risks of certain investment types, how we identify, monitor, manage and, where applicable, disclose conflicts of interest that may arise from time to time and how you can submit complaints and our processes for dealing with such complaints.

All words and phrases highlighted and not defined in this Risk Disclosure Notice, shall have the same meaning as defined in our Terms and Conditions (as applicable).

I. Risk Disclosure

This section provides you with information about the nature and risk of certain investment types. It does not explain all the risks or how the risks relate to your personal circumstances. If you have any doubt about whether or not our products are appropriate for you, you should seek professional advice before trading.

We provide the opportunity for investment and dealing in the following products:

- Contracts for differences ("CFDs") on financial assets, including shares, bonds, indices, exchange-traded funds, commodities and currencies;
- Shares, including fractional shares ("equities");
- Exchange Traded Funds (ETFs);
- Rolling Spot Forex; and
- Options

Even though our offerings are suitable for both retail and professional clients, be aware that by investing in or dealing in any of the above, you are risking your capital and you may not get back as much as you originally invested.

1. Risk Warnings Related to CFD's

1.1 General Risks

CFD's are financial instruments that are traded on margin, enabling investors and traders to participate in the movement of shares and index prices without having ownership of the underlying asset.

Trading CFD's may not be suitable for all investors due to its high risk and complex nature. You may lose all or most of your initial payment and may be required to make additional payments. You shall be responsible for your own trading decisions. If you are in any doubt, you should seek independent advice.

CFDs are highly risky due to the speculative and volatile markets in these products and the leverage (margin) involved. Trading these products may result in the loss of the entire funds you deposited in the account. We are required by law to notify retail clients about the percentage of Retail Clients who have lost money trading CFDs with us during the last twelve (12) months. This disclosure will be made available on our website: www.xtb.com/en.

You must carefully consider your financial circumstances and risk tolerance before trading CFDs. CFD trading is an activity that carries a high risk to your capital. Don't use money you can't afford to lose.

Trading in CFDs relies on the price movement (appreciation and depreciation) of underlying instruments. You are therefore exposed to similar but magnified risks to holding the underlying instruments. The value of the underlying instruments may go up and down. Due to the use of leverage, CFD trading carries a higher degree of risk than ordinary share dealing and may not be suitable for everyone.

The trading you conduct on our Trading Platform is not conducted on an exchange or a market and is not cleared on a central clearinghouse. The CFD transactions are contracts with us as your counterparty.

1.2 Leverage

All trades executed with us are governed by the Terms and Conditions of XTB Limited. It is in your best interest to read and fully understand these Terms and Conditions before engaging in CFD, Rolling Spot Forex, or Option trading.

Our CFD products involve the use of leverage, which allows you to control larger positions with a relatively small initial investment (Initial Margin). While this can amplify profits, it equally increases the potential for substantial losses. Even minor market movements can result in disproportionately large financial gains or losses.

Trading in CFDs, Rolling Spot Forex, and Options also requires the payment of Variation Margin. If the market moves against your position, you may be required to deposit additional funds at short notice to maintain your open positions. Failure to meet these margin calls may result in the closure of your positions and you will be liable for any resulting losses.

It is important to understand that losses can exceed your initial deposit. You may lose the entire balance of your account, including all Initial and Variation Margins. You are also responsible for covering all incurred losses and any other charges or obligations as outlined in our Terms and Conditions, including interest and transaction costs. Due to the leveraged nature of these products, fluctuations in market prices are significantly magnified. A relatively small adverse movement in price can lead to a complete loss of your invested funds.

1.3 Position Monitoring

It is your sole responsibility to monitor your account and ensure that sufficient equity is maintained at all times to meet our Margin Requirements.

We reserve the right to liquidate some or all of your open positions without prior notice in the event of a margin shortfall. We are not obligated to inform you before exercising our rights under the Terms and Conditions, including the right to close your positions.

If the net equity in your account (cash plus unrealised profits minus unrealised losses) falls below 50% of the required margin, we may close part or all of your positions at prevailing market prices. However, this action is not guaranteed, and you remain responsible for maintaining adequate funds in your account at all times.

As a risk management measure, you will receive a warning if your account reaches 80% of the required margin level. This is intended to alert you, but does not relieve you of your obligation to manage your account and maintain the necessary margin at all times.

1.4 Counter-Party Risk

In relation to CFDs, we are counterparty to all your trades. None of our CFD products are listed on an exchange, nor can any rights, benefits or obligations be transferred to anyone else. While we undertake our obligation to provide you with best execution and to act reasonably and in accordance with our published terms and conditions, CFDs opened on your account with us must be closed with us, based on our prices and conditions. CFDs are contracts with us as your counterparty, are not traded on a regulated exchange and are not cleared on a central clearinghouse. Thus, exchange and clearinghouse rules and protections do not apply to trading CFDs with us.

1.5 Counter-Party Credit Risk

In relation to CFDs, we are counterparty to all your trades. None of our CFD products are listed on an exchange, nor can any rights, benefits or obligations be transferred to anyone else. While we undertake our obligation to provide you with best execution and to act reasonably and in accordance with our published terms and conditions, CFDs opened on your account with us must be closed with us, based on our prices and conditions. CFDs are contracts with us as your counterparty, are not traded on a regulated exchange and are not cleared on a central clearinghouse. Thus, exchange and clearinghouse rules and protections do not apply to trading CFDs with us.

1.6 CFDs Do Not Give You Any Rights In The Underlying Asset

CFD trading does not confer any ownership rights in the underlying assets upon which the contracts are based. When you hold a CFD position on shares, you do not possess voting rights, are not entitled to attend shareholder meetings, and cannot directly participate in corporate governance decisions.

Dividend payments and other distributions related to underlying shares are handled through equivalent cash adjustments to your CFD positions rather than actual dividend receipts. These adjustments attempt to replicate the economic effect of dividend payments but may not precisely mirror the tax treatment or timing of actual dividend receipts.

Corporate actions such as stock splits, mergers, spin-offs, and rights issues are addressed through position adjustments that aim to maintain the economic equivalence of your exposure. However, these adjustments may not perfectly replicate the outcomes experienced by direct shareholders, particularly regarding tax implications or the choice of alternatives in complex corporate actions.

XTB Limited reserves the right to make position adjustments or close positions in response to corporate actions affecting underlying instruments. We will endeavor to provide advance notice of such actions when possible, but market circumstances may require immediate action without prior notification.

The pricing of CFDs reflects underlying market prices but incorporates XTB Limited's spreads, financing costs, and other factors that may cause CFD prices to diverge from underlying asset prices. These differences are typically small under normal market conditions but can become more significant during periods of stress or illiquidity.

1.7 Negative Balance Protection

Retail clients benefit from negative balance protection, which prevents losses from exceeding the total funds in your trading account. This regulatory requirement ensures that even in extreme market conditions, you cannot owe money to XTB Limited beyond your account balance.

Negative balance protection operates through real-time monitoring of account equity levels and automatic position closure when equity approaches zero. However, market gaps and extreme volatility may occasionally cause temporary negative balances, which we will reset to zero without cost to eligible retail clients.

Professional clients do not receive negative balance protection and may incur losses that exceed their account deposits. Professional clients who experience negative account balances are obligated to deposit additional funds to restore their accounts to positive equity levels.

The application of negative balance protection considers your entire account portfolio rather than individual positions, meaning that profitable positions may offset losses on other positions when determining your overall account equity level.

2. Risk Warnings Related to Shares (Equities)

2.1 General Investment Risks

Shares represent a part of ownership in a company. As such, the owner of a share participates in the fortune of the company. If the company does well, the shares are likely to rise in price, but if the company does poorly, the share price is likely to fall.

Share ownership through XTB Limited provides you with beneficial ownership rights in the companies whose shares you purchase, including entitlements to dividends when declared and voting rights in accordance with the share class and jurisdiction involved.

Equity investments carry inherent risks related to company performance, industry conditions, and broader economic factors that can cause share prices to fluctuate significantly. Individual companies may experience operational difficulties, management changes, competitive pressures, or financial distress that negatively impact their share values.

Company-specific risks include the possibility of bankruptcy or insolvency, which could result in total loss of your investment in that company's shares. Even well-established companies can face unexpected challenges that dramatically reduce their market values within short periods.

Industry and sector risks affect groups of companies simultaneously, as technological disruption, regulatory changes, or economic shifts impact entire business sectors. Diversification across different industries and geographical regions can help mitigate these concentrated risks.

Market-wide risks stem from economic cycles, political events, changes in interest rates, inflation, and investor sentiment that affect virtually all publicly traded companies to some degree. Bear markets can cause widespread share price declines regardless of individual company fundamentals.

International shares introduce additional complexity through currency exchange rate fluctuations, differing regulatory environments, political risks in foreign jurisdictions, and varying accounting standards that may affect your investment returns.

2.2. Dividend Policies and Corporate Actions

Dividend payments represent distributions of company profits to shareholders but are not guaranteed and depend entirely on company performance and board decisions. Even companies with long histories of dividend payments may reduce or eliminate dividends during difficult economic periods or when pursuing growth strategies.

Different types of companies follow different dividend policies based on their business models and growth stages. Mature companies in stable industries often prioritize consistent dividend payments, while growth companies typically reinvest profits rather than distributing them to shareholders.

Dividend yields can be misleading if based on historical payments that may not continue, and high dividend yields sometimes indicate market scepticism about a company's ability to maintain those payment levels. You should evaluate dividend sustainability based on company fundamentals rather than yield alone.

Corporate actions such as stock splits, spin-offs, mergers, and rights offerings can significantly affect your shareholdings and may require decisions on your part regarding how to respond to various alternatives offered. Special situations including takeover bids, restructurings, and delistings may present both opportunities and risks that require careful evaluation of the terms offered and their implications for your investment objectives.

2.3 Liquidity and Market Structure Considerations

Liquidity varies dramatically across different shares, with large-cap stocks on major exchanges typically offering high liquidity and tight bid-offer spreads, while smaller companies may have limited trading volumes and wider spreads.

Market impact becomes significant when trading large quantities of shares with limited liquidity, as your orders may move prices against you and result in execution at less favourable levels than initially anticipated.

Trading halts and suspensions can prevent you from trading shares when you wish to do so, particularly during periods of significant news or regulatory review. These interruptions may last hours, days, or in extreme cases, weeks or months.

After-hours and pre-market trading sessions often exhibit reduced liquidity and increased volatility compared to regular trading hours, potentially making it more difficult to execute trades at favourable prices.

Market makers and electronic trading systems provide liquidity in most major markets, but their presence cannot be guaranteed during periods of extreme stress when liquidity may disappear suddenly.

2.4 Market Gapping

This is a sudden shift in the price of an underlying from one level to another. This can be due to instances such as economic events or market announcements. Gapping can occur when markets are opened or closed. If the market is closed when these factors occur, the opening price of the underlying market can be substantially different from the closing price, giving you no opportunity to close your trade in-between. 'Gapping' can result in a significant loss.

2.5. International Investment Complications

Investing in shares from different countries introduces complexities related to time zones, settlement procedures, custody arrangements, and regulatory differences that may affect your trading experience.

Foreign exchange risk affects international investments even when the underlying shares perform well, as currency movements can significantly impact your returns when converted back to your base currency.

Political and economic risks in foreign countries can cause sudden changes in investment values, particularly in emerging markets where political stability and economic policies may be less predictable than in developed markets.

Withholding taxes on dividends and capital gains may apply in foreign jurisdictions, and tax treaty provisions may or may not provide relief from double taxation depending on your residence and the source country of your investments.

Information availability and disclosure standards vary significantly between countries, with some markets providing less comprehensive or timely information than others, potentially making investment analysis more challenging.

Settlement and custody practices differ between markets, with some requiring longer settlement periods or imposing restrictions on foreign ownership that may affect your ability to trade freely.

2.6. Risk Warnings Related to Fractional Shares

Fractional shares cannot be traded on public exchanges and are illiquid and unrecognised outside our trading platform. You can only liquidate them when they are sold through us and they cannot be transferred to another broker unless they are sold. We will comply in all respects with "best execution" on all orders executed through XTB in line with its regulatory requirements. This means that execution will be based on a price no

worse than the prevailing bid/offer on the reference exchange as of the time of your order for all full share and fractional share components of a transaction. Any Order greater than one share that includes a fractional share component will be executed in a mixed capacity.

XTB will execute your trade over-the-counter, matching it internally based on a price no worse than the prevailing bid/offer on the reference exchange as of the time of your order.

Fractional shares are not transferable. If you close your Account or transfer your Account to another firm, the fractional shares held in your Account shall be liquidated. Similarly, Fractional shares cannot be put into certificate form and mailed. Liquidations of fractional shares may result in additional charges.

When you purchase fractional shares through XTB Limited, you hold a fiduciary right or beneficial interest in the underlying shares rather than direct legal ownership of the physical share certificates. This means that while you are entitled to the economic benefits of share ownership (such as proportional dividends and capital appreciation), the legal title to the shares is held by XTB Limited or our custodian on your behalf. This arrangement differs from direct share ownership where you would hold both the legal title and beneficial ownership of whole shares.

3. Risk Warnings Related to ETFs

Exchange Traded Funds offer diversified exposure to various asset classes, indices, and investment themes through single tradable securities, but they carry specific risks that differ from both individual shares and traditional mutual funds.

Tracking error represents the deviation between ETF performance and the performance of its underlying index or benchmark, caused by management fees, sampling methodologies, cash holdings, and timing differences in implementing index changes.

Concentration risk affects sector-specific or geographically focused ETFs that may lack broad diversification, potentially exposing you to significant losses if the relevant sector or region experiences difficulties.

Liquidity risk varies among ETFs based on the liquidity of their underlying holdings, with ETFs holding illiquid assets potentially trading at significant premiums or discounts to their net asset values during stressed market conditions.

Counterparty risk applies particularly to synthetic ETFs that use derivatives to replicate index performance, creating exposure to the creditworthiness of the derivative counterparties rather than direct ownership of underlying assets.

Currency exposure affects international ETFs and can significantly impact returns through exchange rate fluctuations, with currency-hedged ETFs incurring additional costs and potential basis risk from imperfect hedging.

Management and operational risks include the possibility of tracking errors due to poor fund management, changes to underlying indices, or operational disruptions that prevent effective replication of benchmark performance.

ETF closure risk exists for funds that fail to attract sufficient assets or that no longer serve their intended investment purpose, potentially forcing liquidation at inopportune times and generating unexpected tax consequences.

4. Risk Warnings Related to Rolling Spot Forex

Foreign exchange trading involves the simultaneous purchase of one currency and sale of another, with profits or losses determined by changes in exchange rates between the two currencies in your selected pair.

Currency markets exhibit high volatility driven by economic data releases, central bank policies, political developments, and market sentiment that can cause rapid and substantial price movements within short timeframes.

Leverage amplification in forex trading typically exceeds other financial instruments, with major currency pairs often available at leverage ratios up to 30:1 for retail clients, meaning small exchange rate movements can generate large profits or losses relative to your margin deposit.

Interest rate differentials between countries affect the cost of holding forex positions overnight, with rollover charges or credits applied based on the interest rate spread between the currencies in your trading pair. Economic announcement risk is particularly pronounced in forex markets, as scheduled releases of employment data, inflation figures, central bank decisions, and other economic indicators can cause immediate and significant price movements.

Political and geopolitical events can dramatically impact currency values, particularly for countries experiencing political instability, policy uncertainty, or international tensions that affect investor confidence.

Correlation risk affects currency pairs that may move in similar directions during certain market conditions, potentially concentrating your risk exposure even when trading multiple currency pairs.

Market hour risks arise from the fact that forex markets operate continuously from Sunday evening to Friday evening, meaning your positions may experience significant movements during times when you are unable to monitor or adjust them.

Central bank intervention represents an additional risk factor, as monetary authorities may take unexpected actions to influence their currency values, potentially causing sudden reversals in established trends.

5. Risk Warnings Applicable to All Products

5.1 Execution-Only Service Limitations

XTB Limited operates as an execution-only service provider, meaning we execute your trading instructions without providing investment advice, suitability assessments, or recommendations regarding specific investments or trading strategies.

All trading decisions remain entirely your responsibility, and you must conduct your own research and analysis before making investment decisions. We do not evaluate whether particular investments align with your financial objectives, risk tolerance, or personal circumstances.

Market information and research materials we may provide serve educational purposes only and should not be construed as recommendations to buy, sell, or hold any particular instruments. These materials represent general market commentary rather than personalized investment advice.

Economic calendars, news feeds, and analytical tools available through our platform are informational resources designed to assist your independent decision-making process but do not constitute guidance on specific trading actions.

You should seek independent financial advice from qualified professionals if you require assistance in determining appropriate investment strategies or assessing the suitability of particular investments for your circumstances.

In short, we do not: manage your portfolio, make investment decisions on your behalf, provide ongoing investment advice, or monitor the suitability of your trades. **It is your sole responsibility to monitor your positions actively.**

We do not provide 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 decisions made must be yours. **All Trading Decisions are yours alone.**

5.2. Regulatory and Legal Risks

Regulatory changes affecting financial markets, trading practices, or tax treatment of investments may impact your trading activities and investment returns in ways that cannot be predicted or fully hedged.

Brexit and other political developments may continue to influence regulatory frameworks, market access arrangements, and the legal basis for cross-border financial services in ways that could affect your investments. Tax law changes could alter the treatment of trading profits, dividend income, or capital gains, potentially reducing your after-tax returns or creating unexpected tax obligations.

Legal disputes between companies, countries, or regulatory authorities may affect specific investments or entire market sectors, creating uncertainty about investment values and your ability to trade freely. Sanctions and trade restrictions may limit access to certain markets or investments, potentially preventing you from trading specific instruments or requiring forced liquidation of existing positions.

5.3. Market Structure and Liquidity Risks

Financial markets can experience periods of extreme volatility or illiquidity during which normal trading relationships break down and asset prices may not reflect fundamental values.

Flash crashes and other rapid market movements can cause temporary but severe price dislocations that may trigger stop-loss orders at unfavourable levels or prevent effective risk management.

Market maker withdrawals during stressed conditions can significantly reduce liquidity and increase trading costs, particularly affecting less liquid instruments and smaller market capitalizations.

Correlation breakdowns during crisis periods may cause diversified portfolios to move in the same direction, reducing the effectiveness of diversification strategies when they are most needed.

Central bank interventions and government actions during market stress may create artificial price levels that do not reflect underlying supply and demand fundamentals, potentially leading to subsequent corrections.