TRUE TRADE PRO

RISK DISCLOSUE

RISK DISCLOSURE NOTICE

TRUE TRADE PRO LTD. (hereafter referred to as the "Company") is a trading brokerage incorporated and registered under the laws of the Labuan Financial Services Authority. This notice provides critical information regarding the risks associated with trading financial instruments, specifically Contracts for Differences (CFDs), Foreign Exchange (Forex), and cryptocurrencies.

Importance of Understanding Risks

Clients are urged to consider whether these risks align with their investment goals, risk tolerance, and overall financial situation. Engaging in trading activities without fully understanding the potential risks can lead to significant financial losses. Therefore, it is advisable for clients to seek independent financial advice if they are unsure about their trading decisions or the suitability of these products for their circumstances.

Scope of Trading

Clients can trade CFDs and other financial instruments through the Company. Before participating in any trading activities, it is imperative that clients fully understand and accept the inherent risks involved. This Risk Disclosure Statement aims to provide essential information regarding these risks to promote informed decision-making.

1. Product Description

A CFD (Contract for Difference) is a financial agreement between a 'buyer' and a 'seller' to exchange the difference between the current price of an underlying asset (such as currencies, commodities, indices, shares, etc.) and its price at the time the contract is closed.

Characteristics of CFDs

- **Leverage**: CFDs are leveraged products, allowing clients to gain exposure to the markets while only requiring a small margin ('deposit') of the total trade value. This leverage enables clients to benefit from price movements by taking 'long positions' (betting that prices will rise) or 'short positions' (betting that prices will fall) on underlying assets.

- **Profit and Loss**: Upon closing a contract, clients will either receive or pay the difference between the closing value of the CFD and its opening value. If the closing price exceeds the opening price, clients profit; conversely, if the closing price is lower than the opening price, clients incur a loss.

- **Ownership**: Unlike traditional investments like shares, CFDs do not entail the actual ownership of the underlying asset. Instead, they are purely financial instruments that reflect price movements of the underlying assets.

Suitability and Risk Assessment

While CFDs and other financial derivatives can be employed for managing investment risk, they may not be suitable or appropriate for many clients, given their high degree of risk. Clients should carefully evaluate their risk appetite and investment experience before engaging in trading these products.

2. Trading Is Considered to Be Risky and Speculative

You, the Client, are entirely responsible for any losses incurred in your trading account. It is crucial to acknowledge that trading in financial markets carries a significant risk of loss. Therefore, you should be prepared to potentially lose your entire invested capital. Under no circumstances should you invest money that you cannot afford to lose.

Speculative Nature

The speculative nature of trading means that while potential profits can be substantial, the risks of loss are equally significant. This volatility requires careful consideration and a well-thought-out trading strategy.

3. Gearing And Leverage

Before opening a CFD trade or any other financial derivative product, you are required to maintain a margin.

Understanding Margin and Leverage

- **Margin**: Margin is a relatively modest proportion of the overall contract value. This leverage enables you to control a more significant position than your initial investment would typically allow.

- **Leverage Dynamics**: The terms "gearing" and "leverage" are often used interchangeably in trading CFDs and other financial derivatives. Leverage can amplify both gains and losses, meaning that a small market movement can lead to a proportionately much larger movement in the value of your position. Consequently, while leverage can enhance profits, it also increases the risk of substantial losses.

Margin Maintenance

At all times during which you have open trades, it is essential to maintain sufficient equity to cover all running profits and losses. This includes meeting the margin requirements set by the Company. If the market prices move against your position and your account balance becomes insufficient to meet these requirements, the Company may close your positions without further notice, regardless of your agreement or preferences.

Risk Mitigation Strategies

To manage the risks associated with margin trading, consider implementing the following strategies:

- Regularly monitor your account and open positions to ensure adequate margin coverage.

- Utilize stop-loss orders to limit potential losses, understanding that these orders are not guaranteed and may be executed at less favourable prices in volatile markets.

- Avoid over-leveraging; assess your risk tolerance and only trade with leverage that aligns with your financial capacity and experience.

4. Off-Exchange Transactions

When you trade CFDs with the Company, you enter into an off-exchange (OTC) derivative transaction. Unlike exchange-traded derivatives, OTC transactions do not have a centralized market where positions can be easily closed. This lack of an exchange market can expose you to greater risks, including the following:

Risks of Off-Exchange Transactions

- **Limited Liquidity**: The absence of a centralized market may lead to reduced liquidity, making it difficult to close positions at your desired price or within a specific timeframe.

- **Counterparty Risk**: This is the risk that the Company may default on its obligations and become unable to fulfil its financial commitments. While the Company strives to maintain financial stability, such risks cannot be eliminated entirely.

Client Money Protection

The Company is committed to safeguarding client funds. All client money is held in segregated accounts, separate from the Company's own funds and other clients' funds, in compliance with relevant regulations.

5. Underlying Market Volatility

CFDs and other financial derivative products enable clients to trade based on price movements in underlying markets or instruments. The prices offered by the Company are derived from these underlying assets.

Impact of Market Fluctuations

- **Volatility Influence**: It is critical for clients to recognize that fluctuations in the underlying instrument can significantly impact the value of the CFD and, consequently, their profitability. Market volatility can result in rapid price changes that may affect open positions.

- **Gapping Risk**: Clients should also be aware of the concept of "gapping," where a security's price jumps from one level to another without trading at prices in between. This can occur during significant market events, and gapping can lead to unexpected profits or losses, especially during periods of high volatility or market closure.

6. Stop Loss Limits

While stop loss orders are designed to limit potential losses by automatically closing a position at a predetermined price, there are circumstances where they may prove ineffective:

Limitations of Stop Loss Orders

- **Market Conditions:** In instances of rapid price movements or market closures, the execution price of your stop loss order may differ significantly from your intended level. For example, if the market price drops sharply overnight, your stop loss may not execute at the desired price, leading to larger losses than expected.

- **No Guarantees:** It is essential to understand that stop limits do not guarantee trade execution at your specified price, particularly in volatile markets. Consequently, clients should be prepared for the possibility that stop loss orders may not provide the intended protection against losses.

7. Liquidity Risk

Liquidity risk refers to the potential difficulty in executing trades in financial instruments due to insufficient buyers or sellers in the market.

Implications of Liquidity Risk

- **Trading Challenges**: Some financial instruments may not be readily tradable, particularly during periods of reduced-price availability or high demand. In such instances, you may find it challenging to sell your holdings or to obtain accurate and timely information on the current value of these instruments.

- **Market Conditions**: The liquidity of an asset can fluctuate based on various factors, including market sentiment, economic news, and broader market conditions. Investors should be mindful of liquidity constraints, especially when trading less popular or highly volatile assets, as these can increase the likelihood of incurring significant losses.

8. Execution Risk

Execution risk arises from potential delays or failures in executing your trade orders promptly.

Factors Contributing to Execution Risk

- **Order Delays**: There may be a time lag between when you place your order and when it is executed. During this interval, market conditions can change, leading to scenarios where the market moves against your position, resulting in your order not being executed at the expected price.

- **Market Closure**: If trading occurs after hours or during periods of reduced market activity, your order may not be executed at all, or it may only be executed at unfavourable prices once the market reopens.

Managing Execution Risk

- **Monitoring Orders**: To mitigate execution risk, clients should closely monitor their orders and the market conditions surrounding their trades. Being proactive in managing your trades can help reduce the likelihood of negative outcomes resulting from execution delays or market fluctuations.

- **Understanding Order Types**: Familiarize yourself with various order types (e.g., market orders, limit orders) and their implications on trade execution. Each order type has its own characteristics that can influence how and when trades are executed.

9. Time May Not Be on Your Side

If you do not have sufficient time to monitor your investments regularly, it is strongly advised that you refrain from trading CFDs or other complex financial instruments.

Implications of Insufficient Monitoring

- **Active Management Required**: These products are not designed for 'buy and hold' strategies due to their inherent volatility and the rapid changes that can occur in the markets. Active management is crucial to successfully navigate the complexities and risks associated with such trading.

- **Overnight Exposure**: Maintaining your investment overnight increases your exposure to unexpected market movements and additional costs, such as overnight financing charges. This can significantly impact your overall profitability.

- **Market Volatility**: Events occurring outside of standard trading hours (such as economic news releases or geopolitical developments) can cause significant price fluctuations that may adversely affect your open positions.

Recommendation
Clients should assess their availability to monitor trades actively and consider alternative investment strategies if they cannot commit to regular oversight of their accounts.

10. Cost And Charges
All relevant costs and charges related to trading will be communicated to you by the Company and will also be outlined on the Company's website.

Understanding Costs
- **Types of Charges**: Clients should familiarize themselves with various charges, including transaction fees, spreads, overnight financing costs, and any management fees that may apply to their accounts. These costs can directly influence the profitability of trades and overall account performance.

- **Transparency**: The Company is committed to transparency regarding costs, and clients are encouraged to review all fee structures carefully. Understanding these costs is essential for effective financial planning and managing investment outcomes.

11. Swap Values and Charges
If a client holds any positions overnight, applicable swap charges will apply. The details regarding these swap values are clearly stated on the Company's website and are accepted by the Client during the account registration process.

Swap Charges Explained
- **Definition of Swap**: A swap is the interest differential between the two currencies in a CFD position. Depending on the position (long or short) and market conditions, clients may incur additional charges or receive payments for holding positions overnight.

- **Implications for Clients**: Clients should be aware that swap rates can fluctuate based on prevailing interest rates and market dynamics. It is crucial to account for these potential costs when planning trading strategies and evaluating overall trade profitability.

12. Complex Instruments Warning
Derivatives, including CFDs, are complex instruments that carry unique risks. This warning is provided in compliance with the Labuan Financial Services Authority regulations and is directed toward retail clients.

Key Considerations
- **Understanding Complexity**: Clients should not engage with complex instruments unless they have a thorough understanding of their nature and the risks involved. These products often involve intricate market mechanics that can lead to significant losses if not appropriately managed.

- **Informed Decision-Making**: It is imperative for clients to fully grasp their exposure to risk associated with trading these instruments. Seeking independent financial advice is recommended for those unsure of their capabilities to navigate such complexities.

13. Client's Acknowledgement
By participating in trading activities with the Company, you acknowledge and declare that you have read, understood, and accept, without reservation, all information included herein, including the following key points:

- **Value Fluctuation**: The value of a Financial Instrument (CFDs or any other derivative product) may decrease, resulting in a loss of your initial investment. The value of these instruments can experience significant fluctuations.
- **Past Performance Limitations**: Information regarding the past performance of a Financial Instrument does not guarantee future performance. Historical data does not constitute a binding forecast for future returns.
- **Liquidity Constraints**: Some Financial Instruments may not be immediately liquid due to various market conditions, and the Company may not be able to facilitate easy sales of these instruments.
- **Currency Risks**: When trading in a currency other than your own, fluctuations in exchange rates may negatively impact the value of your Financial Instruments.

Final Reminder

You should never invest funds into CFD products that you cannot afford to lose. It is essential to conduct thorough research and maintain a clear understanding of your financial situation before trading.