RISK DISCLOSURE POLICY FOR ZEVEN GLOBAL SRL

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Introduction

The **Risk Disclosure Policy** aims to provide the client with a clear and detailed description of the risks associated with using the trading services provided by **Zeven Global SRL**. This document should not be considered as financial or investment advice. The client must read the following information carefully before engaging in any trading activity, as trading derivative instruments involves a high risk of losing capital.

1. Nature of Derivatives and Their Risk

Financial derivative instruments, such as Contracts for Difference (CFDs), are complex products that allow investors to speculate on price fluctuations of various underlying assets without owning those assets. This includes instruments such as stocks, currencies, indices, commodities, and others. While derivatives can offer opportunities for high returns, they also carry significant risks, especially when leverage and other mechanisms that amplify both profits and losses are used.

1.1 How Derivatives Work

Derivatives allow traders to take long (buy) or short (sell) positions on underlying assets without needing to own the assets themselves. When a client buys a CFD, they are essentially agreeing to pay the difference between the current price of the asset and its price at the expiration of the contract. Similarly, when the client sells a CFD, they agree to pay the difference if the asset price moves against them.

The use of derivatives relies on speculation about price movements, which can be highly volatile, influenced by global events, political decisions, economic changes, and other unpredictable factors.

1.2 General Risks of Trading Derivatives

- **High Volatility:** Financial markets are unpredictable and can experience significant price fluctuations in short periods, which can lead to the total loss of the investment.
- **Rapid Losses:** Due to leverage, losses can occur quickly. Adverse price movements in underlying assets can result in significant losses that exceed the invested amount.
- **Lack of Control over Underlying Assets:** Unlike traditional investments, such as stocks, trading derivatives does not grant the investor rights to the underlying assets. The client

will not receive dividends, voting rights, or other benefits associated with owning the underlying assets.

1.3 Use of Leverage

Leverage is one of the main features of derivative products. It allows the client to trade a larger position than the capital available in their account. For example, with 1:100 leverage, a client can control a position of 100,000 USD with an investment of only 1,000 USD. While this can multiply profits, it also amplifies losses. A small movement against the client can lead to the total loss of the investment, or even a greater debt.

2. Types of Risks in Derivatives Trading

2.1 Market Risk

Market risk refers to the possibility that the value of an asset may decline due to changes in economic, political, or natural factors. These factors include changes in interest rates, fluctuations in commodity prices, economic crises, and other unforeseen events. In the case of derivatives, a change in the value of the underlying asset can have a disproportionate impact on the value of the open position.

- **Slippage Risk:** During times of high volatility, asset prices may jump from one level to another without passing through intermediate levels, preventing the client from executing their order at the desired price. This is known as “gapping” and can increase losses.
- **Leverage Risk:** As leverage increases, so does the risk. If the client does not have sufficient funds to cover their margin when positions move against them, forced liquidation of positions can occur, resulting in an immediate loss of capital.

2.2 Leverage and Margin Risk

Using leverage increases the risk of losing more than the initial investment. While leverage offers the possibility of greater profits, it can also result in quick and substantial losses. It is important that the client fully understands how leverage and margin work before trading these instruments.

- **Margin Calls and Liquidation:** If the value of the client’s account falls below the required margin level, the company may issue a margin call, requiring the client to deposit additional funds. If the deposit is not made in time, positions may be closed automatically, potentially leading to a loss of capital.

2.3 Risks of Copy Trading and Social Trading

Social trading and copy trading platforms allow clients to follow or copy the strategies of more experienced traders. While this approach may seem attractive, it presents several risks:

- **Risk of Following Inexperienced Traders:** While a trader may be considered a leader, it does not mean they will always succeed. Past performance is not indicative of future

returns, and the client could be following traders who are inexperienced or who are operating with a high-risk strategy.
- **Loss of Control:** By copying another trader's strategies, the client loses some control over their investment decisions. The leader trader may make decisions that do not align with the client's risk tolerance or financial goals.
- **Replicating Errors:** Sometimes, errors in replicating trades can occur, especially if automatic copy trading systems are used, leading to losses.

2.4 Currency and Foreign Exchange Risk

CFDs based on assets denominated in foreign currencies involve the risk that fluctuations in exchange rates may affect the value of the trade. Currency risk arises when changes in exchange rates impact the client's investment value, especially when trading in markets with different base currencies.

2.5 Liquidity Risk

Liquidity risk refers to the possibility that an investor may not be able to buy or sell an asset without significantly affecting its price. In markets with low liquidity, clients may find it difficult to execute trades at the desired prices, leading to unexpected losses.

3. Risk Management Tips and Recommendations

3.1 Assessing Risk Profile

Before making any investment, the client should assess their own risk profile. This includes understanding their tolerance for market volatility, their ability to absorb losses, and their experience with financial derivative instruments. It is recommended that clients do not invest more money than they are willing to lose.

3.2 Proper Use of Stop Loss Orders

Stop Loss orders are a useful tool for limiting losses, but they are not foolproof. In highly volatile markets, prices may skip over the levels set in a stop order, leading to an unfavorable execution. While stop loss orders help mitigate risks, clients should be prepared for situations where they may not be effective.

3.3 Managing Market Exposure

It is crucial for clients to manage their market exposure appropriately. This involves diversifying investments, limiting the size of individual positions, and not putting all capital into a single trade or asset. Diversification helps mitigate specific asset or market risks.

3.4 Education and Training

It is highly recommended that clients properly educate themselves on the financial products they are trading. The company offers educational resources and support, but the ultimate responsibility lies with the client to ensure they fully understand the risks associated with their investments.

4. Conclusion

Trading with derivatives is a high-risk activity and is not suitable for all investors. Clients must be fully aware of the risks involved and should only trade with funds they can afford to lose. This document is not investment advice and should not be taken as such. The client must conduct their own research and seek independent financial advice if necessary.

By using **Zeven Global SRL's** services, the client confirms that they have read and understood the risks outlined in this risk disclosure notice.