VGMarkets

RISK WARNING NOTICE

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1. Introduction

VG MARKETS (PTY) LTD ("we", "us", or "VG Markets") is a company duly registered in the Republic of South Africa under registration number **2024/244398/07**, and authorized as a Financial Service Provider by the Financial Sector Conduct Authority (**FSCA**) under license number **54461**. We operate in accordance with the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002).

Our full commercial address is:
Norwich Place West, 2nd Floor, Cnr 5th and Norwich, Sandown, Sandton, Gauteng, South Africa

VG Markets provides retail and institutional clients with access to global financial markets through advanced trading infrastructure and transparent execution mechanisms. Our core business model is built on integrity, technological excellence, and regulatory compliance, offering a secure environment for trading derivative instruments such as rolling spot forex and Contracts for Difference (CFDs).

We operate under a **Straight-Through Processing (STP)** model, connecting clients directly to multiple top-tier global liquidity providers. This ensures competitive pricing, enhanced execution speed, and reduced conflict of interest. While we maintain an internal Compliance Committee to oversee governance and adherence to regulatory standards, meetings are held on an **as-needed basis**, depending on material developments or regulatory requirements.

All client-facing systems are monitored in real-time via robust technical infrastructure designed to ensure stability, security, and reliability.

2. Risk Disclosure Notice

Before accessing or using any services offered by VG MARKETS (PTY) LTD, you must read and understand this Risk Warning Notice. Its purpose is to inform you of the inherent risks associated with trading leveraged derivative products, particularly those involving margin, such as **Rolling Spot Forex** and **Contracts for Difference (CFDs)**.

You should have relevant and sufficient knowledge and experience of trading in Forex and derivative products. This is to ensure that you understand the risks of trading in Forex and derivative products and to ensure trading in such products is appropriate for you. This document does not disclose every possible risk nor does it represent a recommendation to trade. You should also consider your investment objectives and risk appetite. Trading Forex and derivatives carries a high level of risk to your capital and you can lose more than your invested capital. Trading derivatives and Forex may not be suitable for all investors. You are strongly advised to seek **independent professional financial, tax, or legal advice** if you do not understand the risks involved in trading Forex and derivative products.

3. Nature of Derivative Instruments and Complexity

Derivative instruments are **complex financial products** that derive their value from underlying assets such as currencies, indices, commodities, or equities. They do not confer ownership of the underlying asset and are typically used for speculation or hedging purposes.

Due to their complexity, these instruments require a solid understanding of market dynamics, leverage, margin requirements, and associated risks. Furthermore, they are generally **not readily realizable**, meaning that under certain market conditions, it may be difficult or impossible to close a position at your desired price or time.

The primary products available on the VG Markets platform include:

- Rolling Spot Foreign Exchange (Forex)
- Contracts for Difference (CFDs) on indices, commodities, cryptocurrencies*, shares, and metals

*Crypto CFDs are highly volatile and not suitable for most retail investors.

Because of the high-risk nature of these instruments, they are categorized as **complex financial products** under South African financial regulation.

4. Margin Trading and Leverage Risk

Margin is the amount of money you need to open a position, defined by the margin ration. Margin trading is a high-risk trading strategy that allows you to trade a larger position size with a relatively small deposit — known as **leverage**. While leverage can amplify gains, it equally magnifies losses, potentially exceeding your initial deposit and any subsequent deposits.

For example, a leverage ratio of 1:100 means that a $1.00 adverse move in the market could result in a $100.00 loss on your margin. If the equity level reached margin rate, it would trigger “Margin Call”. You may be required to deposit additional margin to keep the trades open.

Margin trading carries a high degree of risk to your capital and as such, it is not suited to all investors. Before you decide to carry out any margin trading, please ensure that you fully understand the risks involved, and seek independent advice if necessary.

You should never trade with funds you cannot afford to lose. Due to the exponential effect of leverage, even minor price fluctuations can trigger significant losses in a short period.

Key points:

- There is **no cap on potential losses**.
- You remain fully liable for all deficits incurred.
- Positions may be automatically closed if margin thresholds are breached.
- High leverage increases exposure to margin calls and liquidation risk.

We recommend employing prudent risk management practices, including:

- Using **stop-loss orders** (non-guaranteed),
- Limiting position sizes,
- Avoiding maximum leverage,
- Regular monitoring of open positions.

Please note: Stop-loss orders **do not guarantee execution at specified levels**, especially during periods of high volatility or gapping.

5. Additional Deposit Requirements (Margin Calls)

To open and maintain leveraged positions, you must deposit sufficient **initial margin**. If the value of your account falls due to adverse price movements, your equity level may fall below required maintenance margin levels.

In such cases, you will receive a **Margin Call**, requiring you to either:

- Deposit additional funds immediately, or
- Reduce your exposure by closing partial or all positions.

If no action is taken, VG Markets reserves the right to **close your positions without prior notice**, and you will remain liable for any resulting negative balance.

It is your sole responsibility to monitor your account and ensure adequate margin coverage at all times.

6. Rolling Spot Forex

Rolling Spot Forex refers to contracts for the purchase or sale of currency pairs settled on a spot basis but rolled over daily. No physical delivery occurs; instead, positions are maintained through daily rollover (swap) adjustments based on interest rate differentials.

These contracts can be held indefinitely unless closed by the client or terminated due to insufficient margin. Both parties are exposed to fluctuations in exchange rates and counterparty risk.

Positions held overnight incur **swap fees** (positive or negative), which vary based on the direction of the trade and prevailing interbank rates.

7. Contracts for Difference (CFDs)

A Contract for Difference (CFD) is an agreement between you and VG Markets to exchange the difference in the price of an underlying asset between the time the contract opens and closes.

You do **not own the underlying asset** — you are simply speculating on its price movement. Profits and losses are calculated as:

(Closing Price – Opening Price) × Contract Size

CFDs allow you to go **long (buy)** or **short (sell)** across various asset classes, including:

- Major and exotic currency pairs
- Global stock indices (e.g., S&P 500, FTSE 100)
- Commodities (gold, oil, etc.)
- Shares (cash and futures-based)
- Cryptocurrencies (e.g., Bitcoin, Ethereum)

Important: CFDs are **unregulated in some jurisdictions** and banned in others. They carry extreme risk due to leverage and volatility, particularly in crypto and emerging market assets.

Additionally, CFDs are **principal-to-principal agreements**, which means that once the position has been opened, you can only close your position with the same counterparty, regardless of better prices elsewhere in the market.

8. Exchange Rate Risk (Currency Risk)

Since many instruments are priced in foreign currencies (e.g., USD-denominated indices or EUR/USD forex pairs), you are exposed to **exchange rate fluctuations** even if your account base currency differs.

Adverse movements in exchange rates can increase your effective cost of trading or reduce realized profits when converted back to your home currency.

Example: A ZAR-based client holding a USD-denominated position faces additional risk if the USD/ZAR rate moves unfavorably outside of the underlying asset's performance.

9. Liquidity Risk

Forex and derivative products are exposed to "liquidity risk". Although VG Markets connects to **multiple global liquidity providers**, ensuring deep market depth under normal conditions, **liquidity risk** still exists.

Liquidity risk arises when:

- There is insufficient volume to execute your order at the desired price,
- Bid-ask spreads widen dramatically during news events or low-volume sessions,
- Orders cannot be filled promptly, leading to slippage or re-quotes.

Less-traded instruments (e.g., exotic currency pairs, niche stocks, or volatile cryptos) carry higher liquidity risk and may exhibit erratic pricing behavior.

Factors affecting liquidity:

- **Bid-Ask Spread**: Wider spreads increase trading costs.
- **Market Depth**: Limited volume at best bid/ask levels.
- **Market Resiliency**: Delayed recovery of fair pricing after spikes.

During periods of stress (e.g., geopolitical crises or central bank announcements), temporary illiquidity may occur.

10. Market Volatility and Price Gaps

Financial markets are inherently volatile, and prices can change rapidly due to economic data releases, political developments, natural disasters, or unexpected macroeconomic shifts.

High volatility leads to:

- Widened spreads,
- Increased margin call frequency,
- Accelerated drawdowns,

- Potential for **negative equity**.

Price gapping — sudden jumps between consecutive price levels without intermediate trades — poses a serious risk. This commonly occurs:

- Around major news events,
- After market closures (weekends/holidays),
- During flash crashes or surges.

Gaps may cause stop-loss orders to be executed at significantly worse prices than intended ("slippage"), resulting in losses beyond expectations.

Retail clients should exercise caution during high-impact event windows (e.g., NFP, CPI, FOMC).

11. Weekend and Holiday Risk

Trading is unavailable over weekends and public holidays when global financial markets are closed. However, market sentiment continues to evolve, influenced by breaking news, geopolitical tensions, or economic developments.

As a result, instruments may **open at materially different prices** compared to Friday's close — creating a "gap".

Critical Warning: Non-guaranteed **stop-loss orders placed before weekends or holidays** may execute at substantially worse levels upon market reopening. You remain fully liable for all resulting losses.

Certain products, such as **crypto CFDs**, may remain tradable during weekends, subject to increased volatility and widened spreads.

We advise reviewing open positions ahead of extended market closures and adjusting risk parameters accordingly.

12. Execution Model – STP and Multiple Liquidity Providers

Unlike market-makers, VG Markets operates a **Straight-Through Processing (STP)** model. Your orders are transmitted directly to a pool of **pre-vetted, top-tier liquidity providers**.

Benefits:

- Transparent pricing derived from live market feeds,
- Reduced conflict of interest,

- Competitive spreads and faster execution,
- No dealing desk intervention.

However, execution quality depends on external factors:

- Availability of liquidity,
- Network latency,
- Provider-specific policies (e.g., re-quoting during fast markets).

While we strive for optimal execution, **we cannot guarantee fill rates, prices, or absence of slippage**, especially during volatile or illiquid market conditions.

All trades are executed on a **best-efforts basis** within prevailing market parameters.

13. Charges and Commissions

All applicable fees, including spreads, commissions, swap rates, inactivity fees, and withdrawal charges, have been disclosed separately in our **Pricing Schedule**, accessible via our website and client portal.

Spreads may be variable and widen during volatile periods. Commission structures differ by account type and asset class.

You are responsible for understanding all costs associated with your trading activity.

14. Client Money Protection

Unless otherwise agreed in writing, all client funds are held in **segregated trust accounts** at reputable financial institutions, separated from company operating funds.

These arrangements comply with the **Client Money Rules** issued by the FSCA, enhancing protection in the unlikely event of insolvency.

However, while client funds are safeguarded, **trading losses are borne entirely by the client**, and there is no compensation scheme equivalent to deposit insurance for banks.

15. Execution-Only Basis

VG Markets provides trading services on an **execution-only and intermediary basis**. Meaning we will not provide you with personal investment advice relating to investments or possible transactions in investments. We do **not**:

- Provide personalized investment advice,
- Make recommendations,

- Assess the suitability of any trade for your personal circumstances.

Any decision to enter into a transaction is made solely by you, based on your own analysis and judgment.

We may provide factual market information, general educational materials, market news, technical tools, and factual product descriptions. None of these constitute **investment advice** or a solicitation to trade.

You confirm that you have the necessary knowledge and experience to evaluate the risks involved independently.

16. Technology, Systems & Internet-Based Trading Risks

There are risks associated with using internet-based trading system. Trading via online platforms involves reliance on technology, including:

- Stable internet connectivity,
- Hardware performance (PC/mobile),
- Platform software integrity,
- Server availability.

Potential issues include:

- Connection drops,
- Latency or delayed quotes,
- Order transmission failures,
- System outages during peak times.

While VG Markets maintains **real-time monitoring systems**, redundant servers, and disaster recovery protocols to minimize disruptions, we **cannot be held liable** for losses or damages arising directly or indirectly from:

- Communication failures,
- Failure of software and hardware
- Cybersecurity incidents,
- Third-party infrastructure breakdowns,
- Force majeure events.

Clients are encouraged to use stable networks, update software regularly, and utilize mobile alerts for critical notifications.

17. General Disclaimer

- The information contained herein is for general informational purposes only and should not be construed as financial, investment, or legal advice.
- Past performance is not indicative of future results.
- Opinions, analyses, news, or research shared by VG Markets are purely **market commentary** and do not constitute trading recommendations.
- Content is subject to change without notice.
- VG Markets will not be liable for any direct, indirect, or consequential loss arising from the use of our services or reliance on any information provided, except where such loss results from our **gross negligence, willful misconduct, or fraud**.
- Retail clients constitute the majority of our user base; therefore, product design and support focus on accessibility and education for individual traders.

18. Contact Information

Should you have any questions regarding this Risk Warning Notice or our services, please contact us:

Email: compliance@vgmarkets.com
Website: www.vgmarkets.com
Registered Office:
Norwich Place West, 2nd Floor, Cnr 5th and Norwich, Sandown, Sandton, Gauteng, South Africa

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