

# Risk warning notice for financial spread betting

JN Spreads (referred to below as “we”, “us” or “our”) is committed to treating you fairly. In this notice, we provide you with information to help you understand the nature and risks of our financial betting products and services. However, this notice does not and cannot explain all of the risks and other significant aspects involved in financial betting. You should take sufficient time to read all the relevant information that we provide to you, including this notice, our Retail Customer Spread Betting Agreement, and the information on our website and platform. Financial bets carry a high risk to your capital, and you should not enter into them unless you fully understand the risks involved. If you are in any doubt you should seek independent professional advice.

## 1. You may lose more than your deposit

When you bet with us, you risk losing more than the amount that you deposited with us. This is different to trading other types of financial instrument, for example shares, where generally you only stand to lose the amount you pay for the asset that you buy.

Losses from your bets – The amount of any loss for an individual bet will be the amount that you owe us when that bet is closed. Even over a short space of time this amount may exceed the amount of margin that you used to enter into the bet. This is a feature of ‘leveraged’ or ‘geared’ instruments – you can lose more than your initial payment. The impact of any price movement on your account will depend on the size of your stake, rather than the amount of margin, so a small movement in price may have a large impact on your account if you have bet a large stake. In particular, when entering into short bets it is possible to lose significantly more than your initial bet since any increase in price may result in a further loss to you. To minimise losses, you should consider using stop losses so that bets are closed before your losses exceed a certain level (please note that stop losses are not guaranteed).

Costs incurred through betting – Depending on the bets you make, and how long they last, we may require you to pay financing costs. These financing costs will be incurred on a daily basis when you keep a bet on certain underlying assets open overnight. In some cases, and particularly where you hold bets for a long time, the aggregate of these financing costs may exceed the amount of any profits. Please refer to our Retail Customer Spread Betting Agreement and/or Market Information Sheets for further information on how financing costs are calculated.

## 2. Betting may not be appropriate for you

When we process your application to open an account with us we will conduct our own assessment of whether you have sufficient knowledge and experience to understand the risks involved in financial betting, and will inform you of the outcome of our assessment. If we warn you that financial betting may not be appropriate for you on the basis of your knowledge and experience, or tell you that we have insufficient information to perform our assessment, then you should consider carefully whether you still wish to proceed with your application and start financial betting with us.

## 3. We do not provide investment or financial advice

We do not provide investment advice relating to investments or possible transactions in investments. Any information we provide to you is purely factual and does not take into account your personal circumstances (for example, information about betting processes or minimising potential risks).

## 4. Your bets are at risk of being closed if your account value falls below the close-out level

At all times, your account value must stay above the close-out level otherwise all your bets may be closed by the platform. It is your responsibility to monitor your positions closely and you will be able to monitor your account value through the platform. To prevent closure of your bets, you should deposit a sufficient amount of money into your account to cover any potential losses or costs from your bets.

## 5. Market circumstances outside our control may impact your bets

The ability of our platform to generate prices and execute orders is dependent on the availability of prices and liquidity in the exchanges, markets and other venues from which we gather data. In addition, because we maintain our own financial stability by hedging with other counterparties, we may be unable to execute your orders and bets where we cannot enter into a

corresponding transaction to hedge our own risk. Therefore, market circumstances may impact on your ability to place an order or close a bet with us.

Financial markets may fluctuate rapidly and prices of our products are no exception. Any movements in our prices will have a direct effect on your account.

One form of price volatility that can happen regularly is called 'gapping'. This occurs where there is a sudden shift in price from one level to another. This can be caused, for example, by unexpected economic events or market announcements, particularly where these occur outside trading hours. There may not always be an opportunity for you to place an order between the two price levels, or for the platform to execute an open order at a price between those two levels.

## **6. Other circumstances outside our control may affect your bets**

There is a risk that other circumstances may prevent us from executing orders, or prevent you from accessing our platform. These include, for example, system errors and outages, internet connectivity issues, failures of third parties on whom you or we are dependent (for example, internet service providers or electricity companies). We have business continuity measures in place to deal with some of these issues, but in some circumstances you may not be able to access the platform.

## **7. Foreign markets add further risks**

Foreign markets will involve different risks from UK markets. In some cases those risks will be greater, for example where those foreign markets are more volatile. The potential for profit or loss from bets relating to foreign markets will also be affected by fluctuations in foreign exchange rates.

## **8. We cannot guarantee protection of your money**

Money that we hold on your behalf will be held in a segregated client money bank account separate from our own money, although this may not provide complete protection (for example, if the bank that we use becomes insolvent).

Money that is owed by you to us and amounts that are required to cover your potential liabilities to us (such as margin and net unrealised losses) under our agreement, may be transferred from the segregated client money bank account to our own account and treated as our own money (which is not subject to the FSA's rules on client money). We are permitted to use this money in the course of our own business and in the event of our insolvency you will rank as a general creditor if any of this money is due back to you.

## **9. Financial bets are OTC derivatives**

When you bet with us through our platform, you will be entering into an off-exchange (sometimes known as an over-the-counter, or 'OTC') derivative which is non-transferable. This means you will enter into bets directly with us, and also that those bets must be closed with us. This can involve greater risk than investing in a financial instrument such as a share which is transferable, or dealing in an exchange-traded derivative, because your ability to open and close bets is dependent on our platform being in a position to accept orders from you and to execute them. In certain circumstances this may not be possible (see paragraphs 6 and 7 above).

All bets that you make with us are settled in cash, and you do not have any rights to any security, asset or derivative.

As a result of section 412 of the Financial Services and Markets Act 2000, the bets you enter into with us (and any debts or losses that you incur in relation to these bets) are enforceable under law.

## **10. We act as a market-maker**

In addition, although the prices generated by our platform will take into account market data from various sources, they are not taken directly from any one source. This means that our price may be different to any exchange or market price, or another betting provider's price, for the relevant underlying asset or index. The profits or losses that you make from bets made with us will be in relation to our prices, and not to prices shown anywhere else.

## **11. Tax treatment may vary**

The tax treatment of your financial betting activities depends on your individual circumstances and may be subject to change in future or may differ in a jurisdiction other than the UK.

JN Spreads is a trading name of WorldSpreads