

# RISK WARNING

November 2023

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## 1. PURPOSE AND INTRODUCTION

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This notice is designed to explain the nature and some of the risks of our products. Basis Capital Markets UK Ltd. (“Basis” or the “Firm”) provides this warning to help you make investment decisions on an informed basis. However, please note that each trade will carry unique risks that cannot be explained in a general note of this nature.

Our products may carry a higher risk of loss than trading traditional instruments such as shares and may not be suitable for you. Therefore, you must not deal in our products unless you know, understand, and can manage the features and risks associated with such trading. Considering your circumstances and financial resources, you are also satisfied that trading in our products suits you. You should be aware of the following risks when considering whether to trade our products.

Basis does not (and will not) provide you with investment advice relating to investments or possible transactions in investments or from making investment recommendations. However, we can give you factual market information or information about a transaction you have enquired about, as to transaction procedures, potential risks involved, and how those risks may be minimized.

## 2. LEVERAGE

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A high degree of “gearing” or “leverage” is associated with trading our products. This stems from the margining system applicable to our products, which generally involves a comparatively modest deposit of the overall contract value to open a trade. This can work for you and against you. A small price movement in your favour can result in a high return on the money placed on the deposit. However, a small price movement against you may result in substantial losses, possibly more than the money placed on the deposit. Prices can move quickly, particularly at times of high market velocity, and if these price movements are unfavourable to your trades, you could soon build upon significant losses. In addition, if you do not maintain enough funds in your account to satisfy your margin requirements, we may close any or all of your open positions in some circumstances without warning. If we do this, your open position may be closed at a loss for which you will be liable.

## 3. MARGINED TRADES

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A trade in one of our markets is based on movements in the price of the relevant underlying instrument. Whether you make a profit or a loss will depend on the prices we set and fluctuations in the underlying instrument to which your trade relates. Trades in our products are settled physically or in cash and are legally enforceable.

In certain circumstances, your losses on a trade may be unlimited. For instance, if you open a position with us to sell the contract in question (a practice known as “shorting a market”) and the price rises, you will make a loss on that trade. Unfortunately, it’s impossible to know the limit of your potential losses until you close the trade, or your open positions are closed when your margin level reaches the margin close out level. Therefore, you must understand the potential consequences of a particular product or trade and be prepared to accept that degree of risk. In addition, you may be called upon to deposit a substantial additional margin at short notice to maintain your position. If you do not provide such additional funds within the time required, your position may be closed at a loss, and you will be liable for any resulting deficit.

You will not acquire the underlying instrument or any rights of delivery obligations to the underlying instrument.

Certain markets are quoted and settled in currencies other than your base currency. Therefore, trading in these markets carries the additional risk of currency risk, as the exchange rate when your positions are closed and converted into your base currency may differ from the rate when you created the open position.

## 4. VOLATILITY

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Whether you make a profit or a loss will depend on the fluctuations in the price of the underlying instrument to which your trade relates. Neither you nor Basis will have any control over price movements in the underlying instrument. Price movements in underlying instruments can be volatile and unpredictable.

A feature of volatile markets is “gapping”, where there is a significant change in the price between consecutive quotes. Gapping may occur in fast and falling markets or if price sensitive information is realized prior to market opening. The price at which Basis executes your orders may be adversely affected if gapping occurs in the relevant market. Stop loss orders will be executed when the price meets or exceeds your specified order price. Therefore, if gapping occurs, the price at which your order is executed may significantly differ from your specified order price.

## 5. LIQUIDITY

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Under certain trading conditions, it may be difficult or impossible to liquidate a Position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that trading is restricted or suspended.

A decrease in liquidity (a term that describes the availability of buyers and sellers prepared to deal in an underlying market) may also adversely impact the price and, therefore, the ability to quote and trade in a market. For example, suppose a significant reduction or temporary or permanent cessation in liquidity exists in an underlying instrument. In that case, such events may be deemed an event outside Basis’ control or a market disruption event (where applicable). As a result, Basis may increase the spread between the bid and offer, suspend trading, or take any other reasonable action under the circumstances. As a result, you may be unable to place trades or close or open positions in any affected market.

## 6. DEALING OFF EXCHANGE

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Transactions with Basis are not transacted on a recognized or designated investment exchange; accordingly, they may expose you to more significant risks than exchange transactions. The transaction structure and rules will be established solely by Basis in accordance with FCA Conduct of Business rules.

For example, if you wish to close the position earlier than when it would otherwise automatically expire. In that case, you must close it at Basis’ quotation, which may reflect a premium or discount to the underlying market. You will have to close any position with the same provider with whom it was initially entered.

## 7. CRYPTOASSETS

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Basis does not have [Regulation 56 registration](#) but may offer certain cash-settled products linked to cryptoassets. Consumer protections do not cover cryptoassets and are not protected by financial compensation schemes. Please note that:

**Significant Market Risk:** Cryptoassets are high-risk, speculative investments. As with any asset, the value of cryptoassets can increase or decrease. However, cryptoassets are significantly more volatile than many traditional financial markets, and there is a substantial risk of losing money buying, selling, holding, or investing in cryptoassets. Therefore, you should be aware and prepared to lose some or all of your money. Consequently, you should carefully consider whether trading or holding cryptoassets is suitable for you in light of your financial condition.

**No Consumer Protections:** When purchasing, selling, and holding cryptoassets, you will not have access to the Financial Ombudsman Service (FOS) or the Financial Services Compensation Scheme (FSCS). As a result, if you buy cryptoassets, you should be prepared to lose all the money you invest. Consequently, you should carefully consider whether trading or holding cryptoassets is suitable for you in light of your financial condition.

**Cryptoasset Registration:** Firms carrying out specific cryptoasset activities in the UK must comply with the amended Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs) and register with the FCA. In this regard, Basis Capital Markets UK Ltd. is not registered or approved by the FCA.

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