

Risk Warning Notice

Introduction

You are considering dealing with us in spread bets which we term “Margined Trading”.

This notice is designed to explain in general terms the nature of and risks particular to Margined Trading to help you to take investment decisions on an informed basis. However, please note that this notice cannot and does not explain all the risks.

Margined Trading carries a higher risk of loss than trading many traditional instruments, such as most large cap equities or fixed income securities. For many members of the public these transactions are not suitable. You should not engage in Margined Trading unless you know and understand the features and risks of the Margined Trading you wish to carry on and are also satisfied that Margined Trading is suitable for you in light of your circumstances and financial resources.

In considering whether to engage in Margined Trading, you should be aware of the following:

Risks and Leverage

- A high degree of “gearing” or “leverage” is associated with Margined Trading. This stems from the margining system applicable to Margined Trades, which generally involves a comparatively modest deposit of the overall contract value to open a Margined 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 deposit; however, a small price movement against you may result in substantial losses, possibly more than the money placed on deposit. Prices can move quickly.
- You may be called upon to deposit substantial additional margin, at short notice, to maintain your Margined Trades. If you do not do so within the time required, your Margined Trades may be closed at a loss and you will be liable for that loss.

Nature of Margined Trades

- Our terms and conditions explain in detail how Margined Trades operate; see our General Terms, Margining Terms and Spread Betting Terms.
- A Margined Trade is a bet/trade on price movements. Those prices are set by us; please see our Trade and Order Execution Policy. Whether you make a profit or loss will depend on the prices we set and fluctuations in the underlying financial instrument (“Underlying”) to which your Margined Trade relates.
- Margined Trades can only be settled in cash.
- Margined Trades are legally enforceable.

- In certain circumstances your losses on a Margined Trade may be unlimited. For instance, if you short a market and the price rises, it is impossible to know the limit of your potential losses until you end the Margined Trade. You must ensure that you understand the potential consequences of any particular Margined Trade and be prepared to accept that degree of risk.
- Margin Trades are not executed on a recognised or designated investment exchange. If you open a Margined Trade with us, you have to close it with us.
- You will not acquire the Underlying nor any rights or delivery obligations in relation to the Underlying.
- Margined Trades which settle in a currency other than your base currency may be affected by the conversion of any profit or loss into your base currency.

Volatility

As mentioned above whether you make a profit or a loss will depend on the prices we set and fluctuations in the price of the Underlying to which your Margined Trade relates. Neither you nor we will have any control over movements in the Underlying. Movements in the Underlying can be volatile and unpredictable.

Movement of the Underlying may affect your ability to close a Margined Trade, making it difficult or impossible to close a Margined Trade. This may occur, for example, if the Underlying is suspended or restricted from trading on an exchange.

General

If you deposit collateral with us, we will agree with you separately how that will be dealt with.

The Client Money Rules of the FSA will apply to your money unless we have entered into a separate agreement with you to the effect that the Client Money Rules do not apply.

We maintain our financial stability by hedging against large transactions. In the unlikely event that we were to face liquidation, if you are deemed at the time of the liquidation to be an eligible claimant under the rules of the Financial Services Authority, you will be covered by the Financial Services Compensation Scheme to a maximum of £48,000 (claimants would receive the first £30,000.00 in full and 90% of the balance – a total of £48,000.00).

If there is anything you do not understand, or you require clarification on any matter, please contact Customer Services on 0845 077 1181.

Finspreads is a trading name of City Index Limited (No: 1761813) ("CI"), Moorgate Hall, 155 Moorgate, London, EC2M 6XB. For the purposes of Margined Trading the contract is between you and CI and your Account is with CI. CI are authorised and regulated by the Financial Services Authority and are entered on the Financial Services Authority's register under number 113942. In this contract CI are referred to as Finspreads.