

# Risk Warning Notice

Effective date: 03 March 2016

**LLMAX**™  
EXCHANGE

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The purpose of this Notice is to provide information concerning the trading services offered by LMAX (“we”, “us”, “our”, “ours” and “ourselves” as appropriate), together with guidance on and warnings of some of the risks associated with those services.

This Notice cannot and does not explain all of the risks associated with our services nor does it contain a detailed explanation as to how our services operate. For a detailed explanation on how our services operate, you should read the following documents, which together with this Notice, form our agreement with you.

- Terms of Business
- Instrument Information Schedules
- Trading Manual
- Order Execution Policy

You should not commence trading with us until you have read and understood the documents referred to above.

We offer trading services in CFDs and rolling spot FX contracts. We provide you with direct access to the LMAX multilateral trading facility (“the MTF”). Whilst you will be trading on MTF prices<sup>1</sup>, each trade is entered into with us as principal. In exceptional circumstances, for example where no trusted price is available on the MTF, we may in our sole discretion obtain prices from brokers that provide price for CFDs and rolling spot FX contracts or obtain prices from our other customers and use these prices for our trades with you. Again, we will be entering into the trades with you on a principal-to principal basis. Please also note that for our CFD Indices product there are no general members. So although there may be prices on the MTF, the price is one of another customer rather than that of a market maker. Accordingly, prices may be available only intermittently.

In both of these scenarios (where we obtained a broker price, or where there is no general member) you may not be able to open or close a position when you want to, or at least not as frequently as you may have been able to if there was a general member price available on the MTF.

Our trading service carries a high level of risk and is not suitable for everyone. You should not trade with us unless you understand the nature of the transaction you are entering into and the extent of your potential loss from a trade. You must satisfy yourself that it is suitable for you in the light of your circumstances, financial resources and investment objectives. If you are in any doubt you should seek independent advice. You trade entirely at your own risk.

Our trading service is execution-only. This means that we carry out your trading instructions. We do not provide you with any investment advice.

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<sup>1</sup> The price at mid point between the MTF ask price and MTF bid price will be shown where the MTF ask price is lower than the MTF bid price (an “Inverted Market”). You will still trade at the actual MTF bid or ask price.

In deciding whether this type of trading is suitable for you, you should have regard to the following risks.

1. Our services involve a high degree of gearing or leverage. For the majority of the trades you place with us, you will be required to deposit a relatively modest proportion of the overall contract value to open the trade. This can work for and against you as a relatively small movement in the price of the financial instrument being traded can have a disproportionate effect on your trade. This may result in you achieving a good profit but equally may result in you incurring significant losses. These losses may be in excess of the cash you have deposited with us.
2. It is your responsibility to monitor your account at all times. It is important that you monitor your positions closely due to the speed at which profits or losses can be incurred. If you have working orders and open trades you should always be in a position to access and manage your account. You may do this on-line, 24 hours a day, 7 days a week. We can rectify mistakes, but only if you notify us as soon as possible and in any event within 24 hours of the trade.
3. You must understand that the price of the financial instruments being traded is determined by fluctuations in markets outside our control and that the historical performance of a financial instrument is no indication as to its future performance.
4. You may be required to deposit additional funds into your account at short notice in order to support your open trades and working orders. A failure to deposit additional funds when required to do so may result in all of your open trades being closed out and your working orders cancelled by us without notice to you.
5. There may be circumstances, for example where you have a large position and/or where there is low liquidity, where it is not possible to close your open trades immediately. It may take days or even weeks to do so. During this period the value of your open trades could fall, possibly by a significant sum, and you will be liable for the full amount of the losses that arise.
6. Some of our financial instruments are quoted and settled in currencies other than the base currency of your account. Trading in these instruments carries additional risk as the exchange rate at the time you close a trade and when your balance is converted to your base currency on the next Business Day, may be have fluctuated. Therefore if you trade in an instrument that is not quoted in the base currency of your account, currency exchange fluctuations will impact upon your profits and losses.
7. We do not guarantee that an order you place to limit the loss on a trade will be filled at the price that you specify. In a fast moving market, your order may be liable to 'gap through', with the result that your trade is closed at an increased loss as compared with the level of the order that you placed. In the event that a 'gap through' occurs there can be a markedly different price in the financial instrument being traded with no opportunity to close your trade in-between. Therefore, an order you place to limit the loss on a trade should not be treated as a guarantee to limit your loss on that trade to a specific amount.
8. Any money you transfer to us or is credited to your Account will be held in one or more segregated client bank accounts. The client bank accounts will be pooled accounts holding monies transferred to us by other clients of ours and will not hold any of our own monies. We may transfer any amount that is allocable to you in the relevant client bank account or amounts credited to your Account to any clearing house or broker for the purpose of providing any initial margin and intraday margin to such clearing house or broker in relation to our Back to Back Trade. Your rights to monies in your Account are as follows:
  - a. You will have an ownership interest in your share of the balance in the relevant client bank account including any monies held by the clearing house or broker that is allocable or returnable to your Account.

- b. You will not have an ownership interest to any monies required to be transferred either from the relevant client bank account, or from the monies held by a clearing house or broker that is allocable or returnable to your Account, for the purpose of settling our obligations under our Back to Back Trade such as settlement of mark-to-market losses on daily settlement of such trade.
  - c. In certain circumstances, you may not receive all the monies to which you have an ownership interest as there is a possibility that the bank at which the client bank account is held has become insolvent or has otherwise failed and is unable to return the full amount of monies held in the client bank account. You may also suffer a shortfall if the clearing house or broker has become insolvent or has otherwise failed and is unable to return the full amount of monies that is returnable or allocable to your Account.
9. Our charges are set out on in our Trading Manual and on the Instrument Information on our Trading Platform. You should ensure that you aware of all the charges that apply to you and understand how our charging system operates before you commence trading with us.
10. One or more of your trades may be affected by a corporate action type event the occurrence of which may have a dramatic effect on that trade or trades and/or on your account generally. Please see the Terms of Business and Trading Manual for further information and a worked example. We recommend that before you open a trade with us you carry out your own research into whether the trade that you intend to open is liable to be the subject of a corporate action type event and if so the likely effect of that action on the trade that you wish to open.

To the fullest extent permitted by law, in no event shall we or any of our directors, employees or agents have any liability whatsoever to you or any other person for any direct or indirect loss, liability, cost, claim, expense or damage of any kind, whether in contract or in tort, including negligence, or otherwise, arising out of or related to your use of with any customised interface or third party equipment, hardware or software, such as MT4 (a "Software Trading Tool") or any form of interaction between any Software Trading Tools and your Account (including but not limited to API and/or FIX interactions, a "Software Bridge").

We have a formal complaints procedure. We aim to handle complaints as effectively as possible in order to achieve a speedy resolution. In order to aid this process, we require you to advise us of any complaint you have, and to provide all supporting documents, in a timely manner. A copy of our complaints handling procedure can be found on our website. In the unlikely event that we are unable to resolve your complaint between us, you have the right to refer your complaint to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR (telephone: 0300 123 9 123; email: [complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk); website: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)).

We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the Scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered 100% of the first £50,000 and this represents the maximum compensation available to you. Further information about compensation arrangements is available from the Financial Services Compensation Scheme.

If there is anything in this Notice you do not understand, please contact our Helpdesk.

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LMAX Limited operates a multilateral trading facility. LMAX Limited is authorised and regulated by the Financial Conduct Authority (firm registration number 509778) and is a company registered in England and Wales (number 6505809). Our registered address is Yellow Building, 1A Nicholas Road, London, W11 4AN.