




DMA Group Risk Warning Policy
(the “Policy”)

Risk Warning Policy

This risk warning must be read together with the General Business Terms available on the DMA website disclosing the risks associated with transacting in complex products, including over-the-counter derivatives. DMA refers to SCM DMA (Pty) Ltd, SCM DMA (Mauritius) Ltd and other subsidiaries, all part of the DMA Group.

1. Policy approval and information

Policy Drafter	Peter Johnson
Policy reviewer	Peter Johnson
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Approver's signature	
Approved by (this version)	Peter Johnson obo Board of Directors

2. Definitions

- 2.1 "CFD" means Contract for Difference as described in clause 5.2 below.
- 2.2 "FX" means Foreign Exchange as described in clause 5.1 below.
- 2.3 "Publication/s" means any fact, assessment, analysis, forecasts, opinion and other information (collectively "Information") released by DMA or any director, officer, employee or representative hereof, whether provided on DMA's Sites, on third party sites, in marketing materials, newsletters, in individual emails and letters, in lectures, individual conversations or in any other form of written or verbal communication.
- 2.4 "Recommendation/s" means any business, financial, investment, hedging, legal, regulatory, tax or accounting advice; a recommendation or trading idea; or, any other type of encouragement to act, invest or divest in a particular manner.

3. Risk Warning

- 3.1 CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage.
- 3.2 You should consider whether you understand how CFDs, FX or any of DMA's other products work and whether you can afford to take the high risk of losing your money.
- 3.3 Trading in the products and services of the DMA Group may, even if made in accordance with a Recommendation, result in losses as well as profits. In particular trading in leveraged products,

such as but not limited to, foreign exchange, derivatives and commodities can be very speculative, and losses and profits may fluctuate both violently and rapidly.

- 3.4 Trading risks are magnified by leverage and losses can exceed your deposits.
- 3.5 Margin calls may be made quickly or frequently, especially in times of high volatility, and if you cannot meet them, your positions may be closed out and any shortfall will be borne by you.
- 3.6 Values may fluctuate significantly in times of high volatility or market / economic uncertainty; such swings are even more significant if your positions are leveraged and may also adversely affect your position.
- 3.7 Trade only after you have acknowledged and accepted the risks. You should carefully consider whether trading in leveraged products is appropriate for you based on your financial circumstances and seek independent financial consultation.

4. Speculative trading is not suitable for all investors

Any mentioning, if any, in a Publication of the risks pertaining to a particular product or service may not and should neither be construed as a comprehensive disclosure nor full description of all risks pertaining to such product or service and the DMA Group strongly encourages any recipient considering trading in its products and services to employ and continuously consult suitable financial advisors prior to the conclusion of any investment or transaction.

5. Complex Product Risk Warning

Below is an overall description of the characteristics of certain complex products and their markets and of the risks associated with these products.

Trading in financial products always involves a risk. You should only trade in financial products if you understand the products and the risks associated with them.

5.1 Foreign exchange trading (FOREX or FX)

- i. When trading in foreign exchange, the investor speculates in the development of the price of one currency relative to another, where one is sold and the other is purchased. By way of example, an investor may sell Euros (EUR) against the GBP dollar (GBP) if he expects that the GBP will increase relative to the EUR.
- ii. Foreign exchange is traded as a margin product, which means that you can invest more money than is available in your account by borrowing money from DMA. Foreign exchange may be traded as FX Spot, FX Forward or FX Options. FX Spot is the purchase of one currency against the sale of another for immediate delivery. FX Forward and FX Options transactions are settled on an agreed date in the future at prices which are agreed on the date of the transaction. FX Forward trading involves an obligation to make the transaction at the agreed price on the settlement date. A purchaser of FX Options has a right to make a transaction in the underlying FX Spot currency pair on the expiry date if the price is more favourable than the market price at this time. On the other hand, a seller of options has an obligation to enter into a transaction with the purchaser (DMA) on the settlement date if requested by the purchaser. Purchased options

therefore involve a limited risk in the form of premium which is payable when the contract is made, while options that have been sold involve an unlimited risk in the form of changes to the price of the underlying FX Spot currency pair.

- iii. The currency exchange market is the world's largest financial market with 24 hour trading all working days. It is characterised, among other things, by a relatively low profit margin compared to other products. A high profit is therefore subject to a large trading volume, which is achieved for instance by margin trading as described above. When trading in foreign exchange, a gain net of costs, such as commission and spread, realised by one market player will always be offset by another player's loss. Foreign exchange transactions are always made with DMA as counterparty, and DMA quotes prices on the basis of the prices that can be obtained in the market. However, this does not necessarily mean that your gain or loss is offset by a loss or gain on the part of DMA as DMA seeks to hedge its risks with other counterparties.
- iv. As foreign exchange is margin traded, allowing you to take a larger position than you would otherwise be able to base on your funds with DMA, a relatively small negative or positive market movement can have a significant effect on your investment. Foreign exchange trading therefore involves a relatively high level of risk. This makes the potential gain quite high, even if the deposit is relatively small. If your total exposure on margin trades exceeds your deposit, you risk losing more than your deposit.

5.2 CFDs

- i. A CFD – or Contract for Difference – is speculation in changes in values. The product allows you to speculate in future increases or decreases in the value of a specific asset, for instance a share. If your speculations prove to be correct, you will make a profit from the difference in value (less costs), but you will have to pay the difference in value (plus costs) if your speculations turn out to be wrong. Being tied to an underlying asset, the value of a CFD depends on that asset. CFDs are always margin traded (see the above paragraph on foreign exchange transactions). CFDs are normally traded with DMA as the counterparty, but some CFDs are traded on a regulated market. However, the price always moves with the price of the underlying product, which is in most cases traded on a regulated market. The price and liquidity of CFDs on individual shares mirror the price and liquidity of the share on the market in which the share is admitted for trading, whereas, for instance, index CFDs are over-the counter (OTC) products with a price fixed by DMA on the basis of the price and liquidity of the underlying shares, the futures market, estimated future dividends, the effects of interest rates, etc.
- ii. As CFDs are margin traded, allowing you to take a larger position than you would otherwise be able to based on your funds with DMA, a relatively small negative or positive movement in the underlying instrument can have a significant effect on your investment. CFD trading therefore involves a relatively high level of risk. This makes the potential gain quite high, even if the deposit is relatively small. If your total exposure on margin trades exceeds your deposit, you risk losing more than your deposit.

5.3 Futures

- i. Futures trading involves speculating on the price of a specific underlying asset going up or down in the future. A future gives the holder a standardised obligation to either buy or sell the underlying asset at a specified price at a certain date in the future. The underlying asset may, for instance, be raw materials, agricultural produce or financial products. Depending on the nature

of the future, the asset either has to be settled for the price difference or by actual delivery at the settlement date. Futures are always traded on margin (see “Foreign exchange trading” above). Futures are always traded in a regulated market, either by direct trading in the stock exchanges’ trading systems, or by reporting of transactions.

- ii. As futures are margin traded, allowing you to take a larger position than you would otherwise be able to based on your funds with DMA, a relatively small negative or positive market movement can have a significant effect on your investment. Futures trading therefore involves a relatively high degree of risk. This makes the potential gain quite high, even if the deposit is relatively small. If your total exposure on margin trades exceeds your deposit, you risk losing more than your deposit.

5.4 Options trading

- i. Option trading is highly speculative and is not suitable for all investors due to the risks involved. Buyers and sellers of Contract Options should familiarize themselves with the type of option (i.e. put or call, bought or sold) they intend to trade and the associated risks. Contract Options are traded with DMA as counterparty to the trades.
- ii. A Contract Option gives you the right or the obligation to either buy or sell a specified amount or value of a particular underlying asset at a fixed exercise price, by the option being exercised either before or on its specified expiration date. A Contract Option which gives you the right to buy or the obligation to sell is a call option and a Contract Option that gives you the right to sell or the obligation to buy is a put option.
- iii. A Contract Option that is in the money on expiry will always be exercised.
- iv. Trading Contract Options involves a high level of risk. Contract Options that gives you the right to either sell or buy an underlying asset (bought Contract Options) might expire worthless and your initial investment (i.e. premium and transaction costs) will be lost. Contract Options that gives you the obligation to either sell or buy an underlying asset (sold Contract Options) can result in substantial (potentially unlimited) losses. To assure you will be able to cover losses on sold Contract Options DMA will require margin charges. Nonetheless, potential losses can exceed the margin charged and you will be liable for these losses.
- v. If your total exposure on margin trades exceeds your deposit, you risk losing more than your deposit. If the underlying asset of a Contract Option is a margin traded product (i.e. a derivative), and if the Contract Option is being exercised by the buyer, then the buyer (in case of a call option) or the seller (in case of a put option) of the Contract Option will acquire a position in the underlying margin traded product with associated risks as well as liabilities to provide margin.
- vi. Please note that by default, you will be enabled for buy Contract options (puts and calls) only. Should you wish to be enabled to write / sell Contract options (puts and calls), please contact your account manager.

5.5 Stock options

- i. Final Settlement of Stock Options requires physical delivery of the underlying stocks vs. payment of the strike value in cash. In case a client is holding a stock options position, but is short either cash or stocks, he will not be able to settle the options position and the client will fail to deliver on his contractual obligation.
- ii. Final Settlement of a stock option position occurs when the holder of a long option position exercises his right to buy or sell the underlying stocks on and/or, in case of American Style

options, prior to expiry. On expiry, all in-the-money long option positions held by clients of DMA are automatically exercised. Both prior as well as on expiration, clients who hold short option positions will be assigned by means of a random assignment lottery. At expiry, there should be no "assume" procedure for delivering on short option positions. Instead of the assume procedure, the clearing statements from the broker should be used to reflect the true exchange expiry outcome.

- iii. As a general rule, DMA clients have responsibility to meet the delivery requirements related to their option positions. As such DMA will not pre-emptively act on client positions to avoid delivery failure. It will be the responsibility of the client to manage his positions especially when approaching expiry to make sure he can meet any delivery obligations.
- iv. In case a client failed to meet his delivery obligation, DMA will act on behalf of the client and without the need to notify the client in advance to resolve the delivery failure. DMA will resolve a short stock position by acquiring the required stocks at market price, DMA will resolve a short cash position by liquidating any or all positions under delivery and if available any long option position that provided cover for a settling short option position. In the Exchange Traded Options context, this will be referred to as default handling. Transactions executed for the purpose of default handling, will be charged additional (substantial) commissions. Default Handling will be performed by DMA's Market Desk.
- v. Therefore DMA recommends the Clients to close the position before expiry.
- vi. Notwithstanding the above, in case DMA could be exposed to uncollateralized losses incurred by clients, DMA reserves the right to act pre-emptively and close-out some or all of the client's positions that could cause potential losses which the client cannot carry on his account balances. Pre-emptive close-out will be conducted under the responsibility of the DMA's Market Analysis & Control.