SPEC

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Risk Disclosure

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1. Introduction

Spec Capitals Ltd (referred to as "We", "the Company", or "Spec") is a company incorporated in Mauritius under registration number 224658. The Company's registered office is Suite 201, The Catalyst, 40 Silicon Avenue, Ebène, Republic of Mauritius.

This Risk Disclosure Statement provides important information regarding the risks associated with trading Contracts for Difference (CFDs). It should be read in conjunction with our Terms and Conditions.

The purpose of this disclosure is to explain, in general terms, the nature and risks associated with trading these high-risk financial instruments, to help you make informed investment decisions. However, it does not cover all risks or aspects of trading such instruments, nor does it replace your own knowledge, experience, or the need for independent professional advice.

CFDs are complex financial instruments that involve a high level of risk and may not be suitable for all investors. Trading CFDs can result in the loss of your entire invested capital. You should only engage in such trading if you fully understand the nature of the products and the extent of your exposure to risk.

Before deciding to engage in such trading, you should carefully consider your investment objectives, level of experience, financial situation, and risk tolerance. If you are unsure about the suitability of these products for you, we strongly recommend seeking advice from an independent financial advisor.

2. What is a Contract for Difference (CFD)?

A Contract for Difference (CFD) is a financial derivative that enables traders to speculate on the price movement of an underlying asset without owning the asset itself. It is an agreement between the trader and the CFD provider (e.g., Spec) to exchange the difference in value of a financial instrument between the time the contract is opened and when it is closed.

Instead of buying or selling the actual asset, you enter into a position that mirrors the price movement of that asset. If the asset's price moves in your favour, you make a profit. If it moves against you, you incur a loss. The profit or loss is calculated as:

(Closing Price – Opening Price) × Contract Size

Types of CFDs Offered by Spec

Spec provides Clients with access to a wide range of CFD instruments, including:

- Foreign Exchange (Forex) CFDs
- Precious Metals CFDs
- Commodities CFDs

- Indices CFDs
- Shares CFDs
- Cryptocurrency CFDs

These instruments allow you to take positions on both rising and falling markets without owning the underlying asset.

CFDs are leveraged products, enabling you to gain larger market exposure with a relatively small initial deposit (known as margin). While leverage can amplify potential profits, it equally magnifies potential losses. You may lose your entire investment.

How CFDs differ from holding underlying assets

Contracts for Difference (CFDs) are financial derivatives that allow traders to speculate on the price movements of various assets without owning the actual underlying asset.

By contrast, holding the underlying asset means that the investor takes ownership of the real asset itself, such as a share certificate, physical commodity, or units of a currency.

The difference between trading CFDs and holding underlying assets are summarized in the table below:

Aspect	**Holding Underlying Asset**	**Trading CFDs**
Ownership	You own the asset (e.g., shares, metals, currencies)	You do not own the asset—only a contract reflecting its price change
Entitlements	Entitled to dividends, voting rights, and corporate actions	No entitlements; only price difference is realized
Leverage	Typically not leveraged; full value required	Traded on margin; requires only a portion of the total position size
Profit/Loss Source	Value changes plus potential income (e.g., dividends)	Only value changes (difference between open and close price)
Market Access	Through traditional exchanges or physical delivery	Through OTC (over-the-counter) platforms, like Spec
Holding Period	Suitable for long-term investing	Typically used for short-term speculation
Financing Costs	No financing costs for cash holdings	Subject to overnight financing (SWAP) fees

3. Risks of trading CFD products

The Client acknowledges and accepts that trading in Contracts for Difference (CFDs) entails a high degree of risk and may not be appropriate for all investors. By engaging in a trading relationship with Spec, the Client expressly assumes full responsibility for all risks associated with such transactions.

In particular, the Client acknowledges that:

- Trading CFDs is highly speculative and involves a substantial risk of loss, including the potential loss of your entire investment.
- The Client should not engage in CFD unless they fully understand the nature of the instruments, the mechanics of margin trading, and the potential for both profits and losses.
- Only discretionary capital should be used for trading—that is, funds not required for essential living expenses, loan repayments, retirement planning, or emergency purposes.
- Historical performance is not a reliable indicator of future results. Market conditions may change rapidly, and no strategy guarantees profitability.

Clients are strongly advised to consider their financial situation, risk tolerance, and investment objectives carefully, and to seek independent financial, legal, or tax advice before engaging in any CFD trading activity.

3.1 Risk of trading leveraged financial products

3.1.1. What is leverage

Leverage enables traders to gain exposure to a larger market position while depositing only a small percentage of the trade's full value—this is referred to as margin trading.

While leverage has the potential to amplify gains when markets move in your favour, it equally magnifies losses when markets move against you. The higher the leverage, the greater the risk.

When trading CFDs, you are only required to post an initial margin—a fraction of the total position value—yet you gain full market exposure. As a result, even minor price fluctuations in the underlying asset can lead to disproportionately large gains or losses relative to your initial capital.

Example:

With 1:100 leverage, a deposit of USD 1,000 allows you to control a position worth USD 100,000. A 1% favourable price movement results in a 100% return on your margin. However, a 1% adverse movement can lead to a total loss of your margin—and potentially more.

Due to the high level of risk, traders must carefully assess their risk tolerance, monitor their positions closely, and apply appropriate risk management tools, such as stop-loss orders. Without effective risk management, leveraged trading can result in substantial losses exceeding your initial deposit.

3.1.2. Negative Balance Protection

Spec provides negative balance protection to eligible retail Clients, ensuring that losses do not exceed the funds deposited into their trading accounts. However, this protection is subject to the following eligibility criteria and limitations:

- **No Abusive Trading Behaviour:**

  Clients must not engage in abusive or manipulative trading practices designed to exploit the negative balance protection mechanism. This includes, but is not limited to, holding equal and opposite positions (e.g., simultaneously long and short positions on the same symbol and volume) across multiple accounts or brokers in anticipation of high volatility, such as during market closes, economic announcements, or geopolitical events.

- **Prohibition on Hedged Exploitation:**

  Clients are strictly prohibited from deliberately opening positions before market close or scheduled news releases while concurrently holding opposite positions either with Spec or other brokers in an attempt to profit from price gaps and force-trigger the negative balance protection scheme.

- **Offsetting Account Balances:**

  The Company reserves the right, at its sole discretion, to offset any negative balance against positive balances in any other trading account(s) held by the Client with Spec. This applies across all accounts under the Client's name or otherwise connected accounts identified through shared ownership, control, or trading behaviour.

- **Disqualification & Recovery:**

  If the Company determines that a Client has engaged in activity that constitutes abuse of the negative balance protection policy, Spec reserves the right to revoke the protection and recover the negative balance from the Client. The Company may take all necessary steps to enforce such recovery, including legal action if required.

Clients are encouraged to trade responsibly and to use risk management tools to prevent account deficits. Negative balance protection is intended to safeguard Clients from unforeseen market volatility—not to be used as a trading strategy.

3.1.3. Leverage Adjustments

The Company reserves the right to modify leverage levels at its sole discretion. Such changes may be based on prevailing market conditions, volatility, or the Client's trading profile and activity.

3.2 Margin Call & Account Close-out

3.2.1. What is Margin?

CFDs are margin-traded instruments, meaning you are required to maintain a minimum amount of funds (known as margin) in your trading account to support your open positions. The margin requirement depends on the underlying instrument, the size of the trade, the chosen leverage, and the account's base currency.

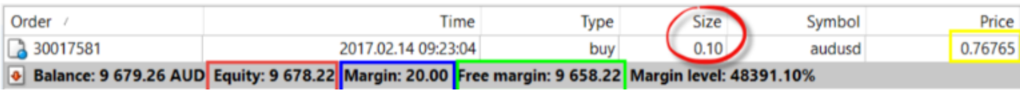
3.2.2. How is Margin Calculated?

The required margin is calculated using the formula:

Required Margin = (Trade Size ÷ Leverage) × Market Price × Exchange Rate (if applicable)

> ***Example:***
>
> Suppose your trading account is denominated in AUD, and you wish to purchase 0.1 lot (10,000 units) of AUD/USD at a market price of 0.76765, using 1:500 leverage.
>
> Required Margin = (10,000 ÷ 500) × 0.76765 = USD 15.353
>
> Converting USD 15.353 to AUD at an exchange rate of 0.76765 gives an approximate margin requirement of AUD 20.

3.2.3. Understanding Margin Metrics on the Platform



> ***Account Equity*** (Red box): This reflects your account balance including unrealised profit/loss. It fluctuates in real-time depending on your open positions.
>
> ***Margin*** (Blue box): The portion of your equity allocated as collateral to support open trades. This remains fixed until the trade is closed.
>
> ***Free Margin*** (Green box): The available equity not used as margin. It determines how much room you have to withstand adverse price movements or open new trades.

3.2.4. Margin Call & Stop-Out Procedures

Due to market volatility and price fluctuations, the equity in your trading account may change rapidly. If your account equity falls below the required margin level, Spec may initiate automatic liquidation of your open positions to prevent further losses. This process is referred to as stop-out.

To assist Clients in managing this risk, Spec implements the following measures:

Margin Call: When your margin level reaches 100%, automated notifications will be issued via the trading platform and/or email (subject to system availability). This serves as an early warning to prompt you to either deposit additional funds or reduce your exposure by closing some positions.

Stop-out (Automatic Position Liquidation)**:** If no corrective action is taken and your margin level falls to 50%, Spec reserves the right to begin automatically closing open positions—starting with the most unprofitable—until the margin level returns above the required threshold.

Clients are strongly recommended to monitor their accounts closely and ensure sufficient funds are maintained to avoid forced liquidation.

> ***Example***:
>
> If the margin close-out level is set at 50% by Spec, and your open positions require a total margin of $2,000, you will receive a margin call when your account equity falls to or below $2,000 (i.e., margin level at 100%).
>
> If your equity subsequently drops to $1,000 (50% of the required margin), Spec may begin to automatically close some or all of your open positions to limit further losses. These liquidations may occur at unfavourable prices, potentially resulting in a realized loss and a further reduction in your account balance..

It is Clients' sole responsibility to monitor their account and ensure that it is adequately funded at all times. Spec does not guarantee that advance notice will be provided before automatic close-outs occur.

The Company reserves the right to modify margin requirements at its sole discretion depending on prevailing market conditions and the Client's trading activity.

3.3 Market Volatility, Gapping & Slippage

Trading financial instruments such as Contracts for Difference (CFDs) involves exposure to significant market volatility. Prices of underlying assets may fluctuate rapidly over short periods due to a variety of factors, including economic data releases, geopolitical developments, central bank announcements, and unexpected news events. These external factors are beyond the control of the Company and can lead to rapid price movements that materially impact open positions.

Volatility in leveraged products like CFDs can magnify both gains and losses. Adverse price movements may require the Client to deposit substantial additional funds at short notice to maintain margin requirements. Failure to do so may result in the automatic liquidation of open positions at disadvantageous prices. The Client remains liable for any resulting deficit.

3.3.1 Gapping

"Gapping" refers to a situation where the price of a financial instrument moves suddenly from one level to another, bypassing intermediate price points. This can occur during periods of extreme market volatility or when markets reopen after a weekend or holiday. In such cases, pending orders (such as stop-losses) may be executed at significantly different prices than expected, leading to larger-than-anticipated losses.

3.3.2 Slippage

"Slippage" arises when an order is executed at a price different from the one requested. It typically occurs during fast-moving markets, where the available liquidity may not support execution at the requested level. Slippage can also result from delays in order transmission or execution. Clients should be aware that slippage may affect both market and pending orders, including stop-loss and take-profit instructions.

3.4 Overnight Financing and Holding costs

When trading Contracts for Difference (CFDs), Clients may incur holding costs—also referred to as overnight financing charges or swap fees—depending on the specific instrument traded and the duration for which the position is held.

These charges are applied on a daily basis if a position remains open past 5:00 PM New York time. Holding costs may be either credited or debited to your account, based on the direction of your position and prevailing market conditions.

Extended holding periods may result in the accumulation of substantial financing charges, which can:

- Exceeding any profit you have made on the position, or
- Amplifying your losses.

Therefore, Clients are strongly advised to monitor their open positions regularly and ensure that sufficient funds are maintained in their trading accounts to cover ongoing charges.

Please note that no interest is paid on margin balances. Details of applicable holding costs and other relevant charges are disclosed transparently on the Company's website as well as the trading platform.

3.5 Counterparty risk

The Client acknowledges that all transactions are conducted with Spec as counterparty. Trading is not conducted through a regulated exchange, and the Client may be exposed to counterparty risk in the event of the Company's insolvency.

Client funds are held in segregated accounts in accordance with applicable regulations; however, in the event of insolvency of a third-party financial institution or custodian, recovery of funds is not guaranteed.

Clients should carefully assess the financial strength and regulatory environment of any CFD provider before engaging in trading activity.

3.6 Lack of Ownership

Contracts for Difference (CFDs) are derivative instruments that allow Clients to speculate on price movements without acquiring ownership of the underlying asset. As a result, trading CFDs does not confer any legal or beneficial ownership rights in the underlying instrument.

Clients do not receive dividends, voting rights, shareholder privileges, or any other entitlements typically associated with holding the actual asset (such as equities, commodities, or indices). All exposure is limited strictly to the price fluctuation of the instrument during the life of the CFD position.

3.7 Technology and Cyber Security

Trading through electronic platforms inherently involves risks related to technology and cybersecurity. Technical issues such as system malfunctions, platform outages, latency, data corruption, or cyberattacks may result in execution delays, failed transactions, data loss, or financial losses. Spec expressly disclaims any liability for losses, damages, or disruptions arising from such events.

Clients are responsible for maintaining adequate security measures on their devices, software, and internet connections to prevent unauthorized access, interference, or misuse.

The Client must take all necessary precautions to safeguard login credentials and is solely responsible for all activity conducted through their trading account. Spec shall not be liable for any loss or damage resulting from unauthorized access due to the Client's failure to secure their login information.

3.8 Client Suitability

Contracts for Difference (CFDs) are complex financial instruments and may not be suitable for all investors due to the high risk of rapid capital loss. Spec is required to conduct a suitability assessment during the account onboarding process to evaluate whether trading in such products is appropriate for the prospective Client, based on the information provided.

If the Company determines, at its sole discretion, that the Client lacks the necessary knowledge or experience to understand the risks involved, it may choose to restrict or deny access to its services. However, a successful outcome in the suitability assessment does not constitute an endorsement or confirmation by the Company of the Client's actual suitability for trading CFDs.

Clients are strongly advised to seek independent financial, legal, and tax advice prior to engaging in CFD trading. The Company expressly disclaims all liability for any losses, costs, or damages arising from the Client's trading activities, regardless of the outcome of the suitability assessment. The Client bears sole responsibility for any investment decisions made.

3.9 Information and content provided by the Company

All information, research materials, market commentary, news, or other content disseminated by Spec is provided for informational purposes only and does not constitute personal, legal, tax, or financial advice. Such content is general in nature and does not consider the individual circumstances, financial situation, or investment objectives of any particular Client.

Spec operates strictly on an execution-only basis. The Company does not provide investment advice, personal recommendations, or portfolio or asset management services in any form.

Clients remain solely responsible for all trading decisions and the associated outcomes. The Company accepts no liability for any direct or indirect loss, cost, expense, or damage arising from reliance on any content provided by the Company or any third party, whether such content was accessed via the Company's website, trading platform, or through any other communication channel.

3.10 Currency Risks

Transactions involving financial instruments denominated in a currency other than the Client's base currency are subject to exchange rate fluctuations. Such fluctuations may have a positive or negative impact on the value, price, or return of the investment.

The Client acknowledges and accepts full responsibility for any risks associated with foreign exchange movements and is expected to understand the potential implications of trading in multiple currencies. Spec shall not be held liable for any losses incurred as a result of currency conversion or exchange rate volatility.

3.11 Other Risks

Trading in foreign markets may expose the Client to additional risks, including but not limited to, differences in regulatory frameworks, political instability, economic conditions, and operational procedures. Such factors may adversely impact the execution and outcome of transactions. Clients are strongly encouraged to obtain independent legal, financial, and tax advice before engaging in such trading activities.

Furthermore, the Client acknowledges and accepts that in the event of a Force Majeure Event—including but not limited to natural disasters, acts of war or terrorism, cyberattacks, pandemics, or other events beyond the Company's reasonable control—Spec may be unable to maintain normal trading operations. Such circumstances may result in delays, suspension, or inability to access the Trading Platform, and the Client assumes all associated risks of financial loss.

4. Risk Disclosures specifically for crypto CFDs

Before engaging in trading CFDs with underlying assets in cryptocurrencies, Clients must be fully aware of the heightened risks associated with these products.

4.1. Heightened Volatility and Risk Exposure

CFDs based on virtual currency pairs carry a significantly higher level of risk compared to CFDs on traditional financial instruments. Due to the extreme volatility of cryptocurrencies, you may experience rapid and substantial losses, including the total loss of your invested capital, over a short period of time.

4.2. Unpredictable Price Movements

Cryptocurrency markets are highly susceptible to sudden price fluctuations triggered by a variety of factors including—but not limited to—economic events, regulatory developments, technological changes, geopolitical events, market sentiment, media reports, and even unverified or false news. Such price movements may occur intra-day or overnight, resulting in price gaps that prevent the execution of stop-loss or limit orders at anticipated levels.

4.3. Lack of Regulation and Exchange Oversight

Virtual currencies are traded on decentralized digital exchanges that are largely unregulated. Price formation, liquidity, and execution mechanisms are governed by the internal rules of each exchange, which may change at any time without notice. These exchanges do not adhere to the same standards of transparency, reliability, and oversight applicable to regulated financial markets.

4.4. Market Data Reliability and Disruption

The liquidity and pricing information for cryptocurrencies originates from decentralized exchanges. Because these platforms operate outside of regulatory supervision:

- Price feeds may be inconsistent, inaccurate, or delayed.
- Trading may be suspended or halted without warning.
- Technical or operational disruptions may occur. In such events, CFD pricing may become unavailable or unreliable, and open positions may be frozen or valued using the last available price until normal trading resumes, if at all. Significant price gaps may occur upon market reopening.

4.5. Counterparty and Operational Risk

In the event of prolonged or permanent cessation of trading on a relevant cryptocurrency exchange, your CFD position may become illiquid, untradeable, and potentially worthless. If trading never resumes, you may lose your entire investment in the affected instrument.

4.6. Leverage and Margin Risk

Crypto CFDs are highly leveraged instruments. Leverage magnifies both potential gains and losses on an asset class that is already inherently volatile. Even minor price fluctuations in the underlying cryptocurrency can lead to rapid and significant changes in your account equity.

It is the Client's sole responsibility to continuously monitor their account, including margin levels and unrealised profit or loss, and to take timely corrective actions—such as depositing additional funds or reducing open positions—to maintain sufficient margin and mitigate the risk of automatic position close-out.

Clients are reminded that volatility in crypto markets can result in immediate margin calls or forced liquidations, even outside normal trading hours。

Due to the high-risk nature of trading Crypto CFDs, these instruments are only suitable for Clients who fully understand and accept the unique characteristics and risks involved. Spec strongly recommends that Clients seek independent financial, legal, and tax advice prior to trading.

5. Communication Risks

5.1. The Company shall not be held liable for any losses incurred due to delays in, or failure to receive, communications sent to the Client by the Company through any communication channel.

5.2. Third-party data feeds or tools used in trading platforms may not be guaranteed to be free from delays or errors.

5.3. The Company is not responsible for any loss resulting from the interception, alteration, or misuse of unencrypted communications that have been accessed by unauthorized third parties.

5.4. Internal messages sent via the trading platform are considered delivered once sent. The Company accepts no responsibility for any loss arising from unread, ignored, or undelivered platform communications.

5.5. The Client is solely responsible for maintaining the confidentiality of all communications received from the Company, including any login credentials or sensitive data

5.6. All telephone conversations between the Client and the Company may be recorded for monitoring, verification, and compliance purposes. Such recordings may be used as conclusive and legally binding evidence of instructions provided.

6. General Notice

This Risk Disclosure is incorporated into, and forms part of, the Spec Client Agreement.

This Risk Disclosure Statement does not and cannot disclose or explain all of the risks and other significant aspects associated with trading Financial Instruments. It is intended solely to provide a general overview of the nature of the risks involved in trading the Financial Instruments offered by the Company. Clients should use this information to make informed investment decisions but are strongly encouraged to seek independent professional advice where necessary.