DIF BROKER

Specific Warning to the Investor.

CFD, Options and Futures are Complex Financial Products.
A responsible investment requires that you understand the implications and are willing to accept them.

- It may involve a sudden loss of all or more than the invested capital.
- It can provide zero or negative income.
- It is subject to Saxo Bank credit risk.
- It implies that costs, commissions or charges are incurred.
- It is not equivalent to initial acquisition or transaction of the underlying assets.

ALL INVESTMENTS HAVE RISKS

Risk of loosing more than the capital invested

1 2 3 4

INCREASING ALERT LEVEL

Consult more in www.cmvm.pt

CFD are complex instruments and come with a high risk of losing money rapidly due to leverage.
46% of retail investor accounts loose money when trading CFDs with this provider.
You should consider whether you understand how CFD works and whether you can afford to take the high risk of losing your money.

CFD are complex products, only appropriate for professional or retail investors with extensive experience and capable of understanding all their characteristics and risks.

GENERAL INFORMATION

When hiring the service and access to these products you should keep in mind the following concepts applied by DIF Broker:

1) *Initial margin:* It means any payment in order to enter into a CFD, excluding commissions, transaction fees and any other related costs, which is related with the notional value.

2) *Initial margin protection*: DIF Broker will always require an initial margin when opening a position in a CFD, equal our superior, according to the minimums required by ESMA, in accordance with Annex I of the Notice [1]and future updates as well as the CMVM Rule 5/2019[2]:

3) *Margin close-out protection:* DIF Broker through its risk control system will apply the protection of the closure, in accordance with the margin utilization alerts described in the Pre-Contractual Information. DIF Broker will close one or more of a retail client´s open CFDs on terms most favorable to the client in accordance with Articles 24 and 27 of Directive 2014/65/EU, and the Portuguese Securities Code (*Código de Valores Mobiliários*[3]) when the sum of the funds in the CFD trading account and the unrealized net profits of all open CFDs connected to that account fall to less than half of the total *initial margin protection* for all those open CFDs. The final value of margin close-out might be lower than 50% of the initial margin, when the market is very volatile, there is price suspension, in market opening or in Force Majeure events, which are not foreseeable.

4) *Negative balance protection:* DIF Broker will apply the negative balances protection, as a result of closing positions of the CFD trading account. Financing costs, taxes, and securities in debt that may be due to DIF services are excluded from this protection. The limit of a retail client's aggregate liability for all CFDs connected to a CFD trading account with a CFD provider are limited to the funds in that CFD trading account.

5) *Excluded non-monetary benefit:* means any non-monetary benefit other than, insofar as they relate to CFDs, information and research tools;

R isk warnings: All DIF Broker communications regarding CFDs will carry the risk warning provided in the ESMA Decision, Annex I and CMVM Rule nº. 5/2019

[1] https://www.esma.europa.eu/sites/default/files/library/esma35-43-1135_notice_of_pi_decisions_on_cfds_and_binary_options.pdf

[2] https:\www.cmvm.pt\pt\Legislacao\Legislacaonacional\Regulamentos\Documents\Regulamento da CMVM 5_2019.pdf)

[3] n.º 7 of art 294.º , n.ºs 1 and 2 of art. 304.º, art. 305.º, art. 309.º-H, n.ºs 1 and 2 of art. 309.º-I, letters a), d), e), h) of n.º 1 and n.ºs 4, 8, 9 and 11 of art. 312.º, n.º 1 of art. 313.º and 313.º-B, and art. 330.º of CVM (Código de Valores Mobiliários - Securities Code)

DIF BROKER

ADITIONAL INFORMATION

PROTECTION MEASURES - CFD TRANSACTIONS FOR RETAIL

1. INITIAL MARGIN INFORMATION BY UNDERLYING ASSET

   TYPE

In order to provide greater protection in the negotiation of complex product, DIF Broker may require higher initial margin levels than those demanded by CMVM in accordance with ESMA and explained in the following chart:

Underlying asset	Maximum Leverage	Initial Margin requirements	Notes / Examples
Forex (Major currency pairs)	30:1	3,33%	Pairs that include two of the following currencies: USD, EUR, JPY, GBP, CAD and CHF.
Forex (Minor currency pairs)	20:1	5%	All currency pairs that do not include two of the following currencies: USD, EUR JPY, GBP, CAD and CHF.
Index (Major)	20:1	5%	FTSE100, CAC40, DAX30, DJIA, S&P500, Nasdaq, Nasdaq100, Nikkei 225, ASX200, Euro Stoxx 50.
Index (Minor)	10:1	10%	All indices that were not considered previously (ex. PSI20, IBEX 35).
Gold	20:1	5%	Example: XAUUSD, XAUEUR, XAUJPY.
Commodity or commodity equity index	5:1	20%	Any stock such as: Airbus, Microsoft, Santander, EDP.
Cryptocurrencies **	2:1	50%	Example: Bitcoin, Ethereum, Litcoin.
Others	5:1	20%	When the CFD underlying asset is not mentioned above.

* It is recommended that you always check the initial margin for each financial instrument in the trading platform, given that, for the greater protection of the client's interests, DIF Broker may require higher initial margins than those established by CMVM in accordance with ESMA. DIF Broker reviews the margin requirements periodically assessing the risks of leveraged financial instruments.

** DIF Broker may or not offer the possibility of leverage regarding cryptocurrencies, depending on the risk analysis.

2. MARGIN CLOSE OUT PROTECTION:

DIF Broker, acting in the best interest of the client and to comply with the regulations, may require higher margins than those requested by CMVM in accordance with ESMA. DIF Broker, through its risk control system and risk warnings, will apply the margin close out protection when the sum of required margin in derivative positions and the unrealized net profit of derivative open positions, reach 50 % of the initial margin. Before closing the derivative positions (Stop Out) at market price, DIF Broker will notify clients in accordance with the provisions of the Pre-contractual Information. [4]

3. NEGATIVE BALANCE PROTECTION:

The limit of a retail client's total liability for all CFDs connected to a CFD trading account will be limited to the existing funds in that trading account. DIF Broker tries to mitigate higher risk situations for its clients, by informing then through margin calls listed in the Pre-Contractual Information. DIF Broker, taking into account aforementioned situations, will apply the negative balance protection, protecting its clients and compensating the negative account values for losses exclusively in CFD trading, without the need to be requested by the client.

4. EXCLUDED NON-MONETARY BENEFITS:

DIF does not offer incentives to its client to trade CFDs, be they monetary or non-monetary, trough marketing campaigns or other means of media communication, as a protection measure for its current and potential clients, since CFDs are considered products not appropriate for retail clients. DIF Broker will not incentive the negotiation of CFD regarding any other financial instrument.

5. MARKETING COMMUNICATIONS:

All and any communication, as well as accessible public information for retail clients related to CFDs, will be accompanied by risk warnings, so that retail investors understand the risks associated with these financial products in a clear manner. Nevertheless, DIF Broker will provide generic and educational information about the client, as well as investigation/search tools with the purpose to assist the clients to understand CFDs, and therefore, to make more informed and appropriate investment decisions.

[3] https://www.difbroker.com/pl/wp-content/uploads/sites/3/2019/04/en_201904v1.0_Pre_Contractual_Information_all_EN.pdf

ADDITONAL INFORMATION REGARDING MARGIN CALLS AND CFD

In compliance with ESMA regulation and to be able to assure margin close-out protection, DIF presents margin calls which are sent prior to the closure of your derivatives positions, including CFD

FIRST MARGIN CALL

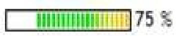
In order to assure the margin close-out protection, DIF informs its clients about their **margin utilization**, which can also be seen in the trading platform **"account summary"**. Below it is explained the risk management information when <u>margin utilization has reached 75%.</u>

Margin utilization can be visualized at all time in account summary and is based on the following formula:

$$\textbf{margin utilization} = \frac{\textbf{maintenance margin reserved}}{\textbf{margin profit/loss} + \textbf{cash balance} + \textbf{transactions not booked}}$$

Local version:

Margin utilization



Web version:

This is the first margin call to inform of the margin close-out protection. In your account summary, you can see that you **have reached 75% of margin utilization**. Please reduce your open positions or transfer funds to maintain your positions and avoid the close out.

When the margin utilization, as seen in the account summary, reaches 100%, DIF Broker will proceed to close out the derivative positions at market prices, including CFDs, considering the best execution policy for the closing order, as a measure of margin close-out protection.

SECOND MARGIN CALL

In order to assure the margin close-out protection, DIF informs its clients about their **margin utilization**, which can also be seen in the trading platform "**account summary**". Below it is explained the risk management information when <u>margin utilization has reached 90 %.</u>

Margin utilization can be visualized at all time in your account summary and is based on the following formula:

$$\textbf{Margin utilization} = \frac{\textbf{Maintenance margin reserved}}{\textbf{Margin profit/loss} + \textbf{Cash Balance} + \textbf{Transactions not booked}}$$

Local Version

Web Version

This is the second margin call to protect the closing-out initial margin at 50%. In your account summary, you can see that you **have reached 90% of margin utilization**. Please reduce your open positions or transfer funds to maintain your positions and avoid the close out.

When the margin utilization, as seen in the account summary, reaches a 100%, DIF Broker will proceed to close the derivative positions at market prices, including CFDs, considering the best execution policy for the closing order, as a measure of margin close out protection.

POSITIONS CLOSE-OUT ALERT NOTIFICATION

Having sent two margin calls and in order to comply with the margin close out protection, we inform that the **derivative positions**, including CFD **have been closed** at market price (Stop Out).

As margin utilization reached a 100%, DIF Broker proceed to close the derivative positions at market prices, including CFDs, considering the best execution policy for the closing order, as a measure of margin close out protection.

Please check your account statement to verify the positions status, as well as the details of the closed transaction.

When trading leveraged products, DIF Broker recommends the client to understand the product, the market and to take a risk management approach according to the client's financial situation. It is important the client follows closely the open positions whenever a stop has not been placed, as the risk of leverage products should be properly managed. Please take into consideration a profit can quickly become into a loss. For more information about the products and its risks, visit the page: https://www.difbroker.com/pl/key-information-documents-kids/