COMPANY POLICIES

RISK WARNING

VDX

ELECTRONIC TRADING

Risk Warning Policy

1. Purpose

This document sets out VDX Ltd's (hereafter "VDX" or "the Firm") Risk Warning Policy in accordance with the regulatory requirements of the Financial Conduct Authority ("FCA"), as set out in the Conduct of Business Sourcebook ("COBS") and also in relation to Markets in Financial Instruments Directive 2014/65/EU. It additionally outlines those financial instruments in scope as laid out in MiFID II and the trading venues used by the firm.

2. Scope

Risk Warnings must be displayed on all financial promotions communicated to clients classified under MiFID II as retail, professional and Eligible Counterparties.

We also have a duty to act in the best interests of the client and therefore cannot offer a product or service that we have assessed as not being appropriate for that particular client. If the client then still wishes to proceed, a warning must be issued to the client (COBS 10.3) and a further, separate evaluation made in order to consider if the client should be allowed to proceed. This process is overseen by Senior Management at VDX.

The following points are to be considered for compliance with the appropriateness requirements:

- Whether the obligation to carry out an Appropriateness Test applies to the business relationship under consideration (i.e. clients given the MiFID categorisation of eligible counterparties do not require an appropriateness test);
- our process for evaluating appropriateness as per our Appropriateness Test score matrix;
- when a clear and prominent warning is required, advising that the product or service may not be appropriate for a client;
- whether a clear and prominent warning is required, whether it is necessary to advise that the client has provided insufficient information for VDX to be able to ascertain whether the product is appropriate for them; and
- recording of client details and any relevant correspondence with clients including warnings.

3. Outline

The FCA's financial promotions rules set out in COBS 4 require that all communications produced by VDX are fair, clear and not misleading. This means that Senior Management must ensure that the Firm's clients are able to reasonably understand the nature and risks of the Firm's services offered and, consequently, take investment decisions on an informed basis.

Senior Management hereby commit to ensuring that all client communications shall have a link to the firm's Full Risk Warning (see section 5 below).

Furthermore, VDX have created policies and procedures to meet the requirements set out in COBS 10.

VDX offers execution-only investment services which are provided without advice, therefore the requirement of suitability does not apply. VDX must, however, still assess if the financial instrument or service is appropriate for the client. Hence, all clients must be tested to ascertain their relevant knowledge and experience on the complex financial instruments offered by the firm and the risks involved.

Each client will be required to complete an 'Appropriateness test' which the firm has derived to test the knowledge of each applicant.

The client's performance on the Appropriateness test enables VDX to judge whether the financial services and instruments envisaged for the client are appropriate or not.

It should be noted when considering appropriateness:

1. Institutional clients, such as Eligible Counterparties are not subject to appropriateness requirements
2. The firm may assume that a client classified as a professional client has the necessary knowledge and experience in the field of the complex financial products offered by the firm, for which it is classified as a professional client.

In assessing appropriateness of a client, VDX Must determine whether the client has the experience and knowledge to understand the risks involved

Information Required in the appropriateness test

Client Knowledge and Experience

- the types of service, transaction and the regulated investments with which the client is familiar
- the nature, volume, frequency of the client's transactions with regulated investments
- the level of education and profession or relevant former profession of the client as long as the firm continues to be satisfied that the information it has in possession is still up to date

The Firm must ensure not to discourage a client from providing this information.

VDX's full appropriateness test is available in our Appropriateness Test Policy document.

Reliance on information

We are entitled to rely on the information provided by a client unless we become aware that the information is manifestly out of date, inaccurate or incomplete.

When assessing appropriateness, the firm may use information it already has in its possession.

Depending on the circumstances, VDX may be satisfied that the client's knowledge alone is sufficient for him to understand the risks involved in the product or service. Where reasonable, the firm may infer knowledge from experience.

As the firm is providing a non-advised execution-only service, the Appropriateness test is not required under the following conditions:

- The client wants to invest in non-complex financial instruments offered by the firm (e.g. shares traded on regulated markets, bonds, debt instruments, investment funds or money market instruments), and
- The service is performed on client's initiative, and
- The client is made aware that the investment firm is not obliged to perform the appropriateness test for those non-complex instruments offered. and
- The investment firm has fulfilled its obligations with regard to conflict of interest

As required per COBS 10.3:

If VDX considers, on the basis of the information received to enable it to assess appropriateness, that the product or service is not appropriate to the client, the firm must reject the client's account and warn the client of the associated risks, recommending that they improve their knowledge before trying to re-apply at a later date, as per our Appropriateness Test policy.

The warnings are provided in a standardised format as per sections 4 and 5. This fulfils our obligations under the Appropriateness rules of the FCA handbook within COBS 10. In accordance with the thresholds set in our internal Appropriateness Test policy, the applicable warning to be issued to customers who fail our test in email format is available in Appendix 3. This warning email shall be accompanied by our Full Risk Warning.

Risk Warnings must be displayed on all financial promotions communicated to clients classified under MiFID II as retail, professional and Eligible Counterparties.

a) As described in the outline, Eligible counterparties, Institutional clients are not subject to appropriateness assessments, whilst Professional clients are deemed to have sufficient knowledge and experience with the products and services offered by VDX.

These clients will therefore receive a Standardised Risk warning included in the footer of the firm's website, as demonstrated in Section 4.

b) Retail clients who are deemed to be 'appropriate' and have scored 40 or more on the appropriateness test, would be provided a Standardised Risk warning in the footer of the website as per section 4, they will also be referred to the Full Risk warning link disclosed on the company website.

c) Retail clients scoring less than 40 in the test will receive the Full risk warning of the firm as per section 5 and advised that they are not deemed 'appropriate' for the firms' products and services offered.

Record Keeping

The firm must maintain records of the appropriateness assessments undertaken by each client which shall include the following:

(a) the result of the appropriateness assessment;

(b) any warning given to the client where the investment service or product purchase was assessed as potentially inappropriate for the client, whether the client asked to proceed with the transaction despite the warning and, where applicable, whether the firm accepted the client's request to proceed with the transaction;

(c) any warning given to the client where the client did not provide sufficient information to enable the firm to undertake an appropriateness assessment, whether the client asked to proceed with the transaction despite this warning and, where applicable, whether the firm accepted the client's request to proceed with the transaction.

4. Website footer

VDX's website is considered to be a financial promotion. This is because the website constitutes an invitation or solicitation to prospective or current clients to make an investment. As a result, the footer of each webpage, below the firm's statutory status disclosure, must contain a standardised consolidated risk warning, which hyperlinks to the firms 'Full Risk Warning' (see section 5).

4.1 Footer content

As a result of a recent 2018 European Securities and Markets Authority ("ESMA") product intervention in the CFD market, the website's footer risk warning must contain details of a calculation (presented as a percentage) of how many retail clients made losses on their account with the firm in the preceding 12-month period ("calculation period"). This should be displayed as follows:

> ***[INSERT PERCENTAGE] of VDX's retail investor CFD trading accounts lost money over the last 12-month period.***

The calculation presented must be updated every three months to reflect the percentage of losses for the 12-months prior. Employees must ensure that this calculation is kept up-to-date at least quarterly.

In the event that VDX does not possess adequate data to make a calculation of retail CFD trading accounts for the preceding 12-month period, a generic percentage based on the FCA's data shall be displayed in the following format:

> ***According to the Financial Conduct Authority, [INSERT PERCENTAGE] of retail investor CFD trading accounts lost money over the course of [INSERT YEAR RANGE].***

Should VDX disclose the FCA's figures as a result of insufficient data (such as being newly authorised) the firm shall review on a monthly basis the FCA's most recent publicly available figures and utilise these for its risk disclosure.

Below the disclosure regarding loss percentages for CFDs, the following should be displayed:

> **Past performance is not a reliable indicator of future performance. Capital at risk.**

The Risk Warning must be displayed in an easily readable font and size and must be clear and prominent. Additionally, on all financial promotions distributed to retail clients, the consolidated short Risk Warning must be displayed.

Please see Appendix 1 for the firm's current short Risk Warning.

5. Full Risk Warning

VDX's website must have a publicly available link to its Full Risk Warning.

The Firm's Full Risk Warning is available at: http://www.vdx.io

The Full Risk Warning must identify and explain the inherent risks associated with trading in the respective instruments to which VDX offers services in.

The Firm's current Full Risk Warning can be seen in Appendix 2.

6. Review

This Risk Warning Policy must be reviewed by Senior Management on an at least annual basis.

Should Senior Management become aware of a new inherent risk faced by its clients, the Full Risk Warning shall be amended accordingly, upon review by the Board.

Appendix 1. Short Risk Warning

HIGH RISK TRADING WARNING: Financial trading in a leveraged product such as Futures, Options, Contracts for Differences (CFDs), Spread Bets and Foreign Exchange (Forex) may result in losses that exceed your initial deposit. You should only speculate with money that you can afford to lose. Trading Forex and CFDs is highly speculative, carries a high level of risk and may not be suitable for all investors. You may sustain a loss of some or all of your invested capital. You should be aware of all the risks associated with trading on margin and should read our Full Risk Warning. You must pass our Appropriateness Test in order to use our services.

According to the Financial Conduct Authority, 76% of retail investor CFD trading accounts trading lost money over the course of 2018-19. [INSERT PERCENTAGE] of VDX Ltd's retail investor CFD trading accounts lost money over the last 12-month period.

Past performance is not a reliable indicator of future performance. Capital at risk.

Please see our Full Risk Warning.

VDX Limited is registered in England and Wales under registered number 11050659. VDX Ltd is authorised and regulated by the Financial Conduct Authority – FCA Reference Number 802012. Our registered address: Piccadilly Chambers, Dudley House, 169 Piccadilly, Mayfair, London, United Kingdom, W1J 9EH.

Appendix 2. Full Risk Warning

VDX Ltd is Authorised and Regulated by the Financial Conduct Authority (FRN 802012),

This notice is provided to you in compliance with the FCA rules and contains important information about the risks associated when dealing with Financial Instruments, and in particular Complex Financial Instruments offered such as Contracts For Difference ("CFDs") and other financial derivative products. This notice cannot and does not disclose or explain all of the risks and other significant aspects involved in trading in CFDs, spread bets or any other financial derivative products.

The information provided through this website is intended only for Retail Clients, Eligible Counterparties and Professional Clients as defined by the rules established by the FCA and as set out in the FCA Handbook. No other person should rely or act upon any information contained in this website.

The information on this website is not intended as an offer or solicitation to buy or sell any investment product, nor does it constitute any form of investment, legal, tax or other advice, and as such it should not be relied upon in making an investment decision.

General Risk Warnings

- The Client should not engage in any investment directly or indirectly in Financial Instruments unless he/she knows and understands the risks involved for each one of the Financial Instruments.
- The Company will not provide the Client with any investment advice relating to investments or possible transactions in investments or in Financial Instruments or make investment recommendations of any kind.
- Prior to signing the client agreement (the "Agreement") with VDX, or making an order, the Client should consider carefully whether investing in a specific Financial Instrument is suitable for him in the light of his circumstances and financial resources.
- If the Client does not understand the risks involved, he should seek advice and consultation from an independent financial advisor. If the Client still does not understand the risks involved in trading in any Financial Instruments, he should not trade at all.
- The Client should acknowledge that he/she runs a great risk of incurring partial losses or all of his initial capital as a result of the purchase and/or sale of any Financial Instrument and accept that he is willing to undertake this risk.
- No Guarantees of Profit. There are no guarantees of profit nor of avoiding losses when trading in Financial Instruments. Clients should be aware of the risks inherent in trading in leveraged products & complex derivatives and should financially be able to bear such risks and withstand any losses incurred.
- Internet Trading. When the Client trades online (via the internet), VDX is not liable for any claims, losses, damages, indemnifications, costs or expenses, caused, directly or indirectly, by any malfunction or failure of any transmission, communication system, computer facility or trading software, whether belonging to the Company, the Client, any exchange or any settlement or clearing system.

Appropriateness

VDX requires the Client to pass through an appropriateness test during the application process and warns the Client if trading with us is not appropriate for him, based on the information provided. Any decision whether or not to open a Trading Account, and or whether or not you understand the risks lies with you. You must pass our Appropriateness Test in order to use our services.

Specific Risk Warnings

CFDs

Contracts for Difference ('CFDs') are complex financial products that are traded on margin. This means they **carry a high degree of risk** because the 'gearing' or 'leverage' often obtainable means that a relatively small movement in the market can lead to a proportionately much larger movement in the value of your investment and this can work against you, as well as for you and **can therefore result in losses that exceed deposits. As a result, CFDs may not be suitable for all investors because you may lose all your invested capital**.

According to the Financial Conduct Authority, **76% of retail investor CFD trading accounts trading lost money** over the course of 2015-16.

[INSERT PERCENTAGE] of VDX's retail investor CFD trading accounts lost money over the last 12-month period. This percentage is calculated and updated on a quarterly basis to cover the 12-month period preceding the date of the calculation.

The calculation does not take into account

(i) the trading accounts that did not have any open CFD position within the calculation period,
(ii) any profits or losses from products other than CFDs if these are connected with the CFD trading account, and
(iii) any deposits or withdrawals of funds from the CFD trading account.

You should not risk more than you are prepared to lose.

Past performance is not a reliable indicator of future performance.

Where an investment involves exposure to a foreign currency, changes in rates of exchange may cause the value of the investment, and the income from it, to go up or down.

Movements in the price of underlying markets can be volatile. This will have a direct impact on your profits and losses

Futures

Transactions in futures involve the obligation to make, or to take delivery of the underlying asset of the contract at a future date, or in some cases to settle your position with cash. They carry a high degree of risk. The "gearing" or "leverage" often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small market movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you Futures transactions have a contingent liability, and you should be aware of the implications of this, in particular the margining requirements, which are set out in the paragraph "Contingent Liability Transactions".

Options

There are many different types of options with different characteristics subject to different conditions:

Buying Options:

Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you will acquire the future. This will expose you to the risks described under "Futures" and "Contingent Liability Transactions".

Writing Options:

If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of any premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (known as "Covered Call Options") the risk is reduced. If you do not own the underlying asset (known as "Uncovered Call Options") the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

Traditional Options:

A particular type of option called a "Traditional Option" is written by certain London Stock Exchange firms under special exchange rules. These may involve greater risk than other options. Two-way prices are not usually quoted and there is no exchange market on which to close out an open position or to effect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk. Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

Foreign Exchange Risk Warning:

Transactions in Foreign Exchange contracts carry a high degree of risk and may not be suitable for all investors. The "gearing" or "leverage" often obtainable in Foreign Exchange trading means that a relatively small market movement can lead to a proportionately much larger movement in the value of your liability. Before deciding to trade foreign exchange you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that you cannot afford to lose.

You should be aware of all the risks associated with foreign exchange trading and seek advice from an independent financial advisor if you have any doubts.

Contingent Liability Transactions

Contingent liability transactions, such as CFDs and other financial products traded on margin will require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

If you trade in CFDs or other products traded on margin you may sustain a total loss of the margin you deposit to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional monies or margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be liable for any resulting deficit.

Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered the contract.
CFD trades will be carried out for you whenever possible on or under the rules of a recognised or designated investment exchange. However, contingent liability transactions entered into by you that are not traded on or under the rules of a recognised or designated investment exchange (such as foreign exchange transactions) may expose you to substantially greater risks.

Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.

Appendix 3. Insufficient Knowledge and Experience - email

Insufficient Knowledge and Experience - email

VDX Limited

To:

Dear [Title] [First Name] [Surname]

Thank you for applying for an account with VDX. Unfortunately, we have been unable to open an account for you as the details you have provided demonstrate that you do not have sufficient knowledge or experience as per the requirements of our regulator the Financial Conduct Authority (FCA).

Trading with VDX is considered a high-risk activity, and we are required to ensure that all new clients are in a suitable position to manage these inherent risks, and thus to adhere to rigid account opening requirements when reviewing all applications.

Futures, Options, Contracts for Differences (CFDs), Spread Bets and Foreign Exchange (Forex) are leveraged products which can result in losses greater than your initial deposit. Therefore, you should only speculate with money that you can afford to lose. Please ensure you fully understand the risks involved, seeking independent advice if necessary prior to entering into such transactions.

Please contact our Customer Service Team at info@vdx.io, if you have any queries or would like any further information about our application process.

Our policy is to institute a cooling-off period of one month before you can re-apply for an account during which we recommend you extend your current level of knowledge. You will be able to use a Demo account and, upon re-applying, must supply us with proof of your trading experience with respect to such. Please contact us for further details,

If your circumstances change, please do not hesitate to contact us and we will be happy to review your application again after this cooling off period. We are sorry that we cannot be of service to you at the present time.

Kind Regards

The VDX Team

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