



Risk Disclosure

Last updated: May 2021

1.0 GENERAL INFORMATION

- 1.1 Close Cross (Malta) Limited ('CloseCross', 'we' or 'us') is licensed in terms of the Investment Services Act and is regulated by the Malta Financial Services Authority (MFSA). The Investment Services Act in Malta transposes the EU Markets in Financial Instruments Directive II (MIFID II) and under which CloseCross is required to comply in line with its licence.
- 1.2 In line with its licence conditions, CloseCross's platform will operate under the MFSA FinTech Regulatory Sandbox for a period of 12 months, which commenced from February 2021. Trading is subject to constant review by the MFSA in line with the Sandbox Rules. The above period might be extended by the MFSA.
- 1.3 Multiparty Derivatives are complex instruments, come with a high risk of losing money and are considered as speculative investments. Money placed on incorrect predictions is lost. There is no protection of capital and no guaranteed return. With the CloseCross Prediction Market Platform it is not possible to lose more than the amount invested.
- 1.4 CloseCross does not provide investment, tax, legal, regulatory or financial advice. Any information provided to you via www.closecross.com is solely for information purposes and does not consider your personal circumstances. Where in doubt, you shall seek independent professional advice from a suitably qualified advisor on any investment, financial, legal, regulatory, tax or similar matter before trading with us.

2.0 RISK DISCLOSURE NOTICE FORMS PART OF THE CLOSECROSS TERMS OF USE

- 2.1 You are considering trading in Multiparty Derivatives using the CloseCross Prediction Market Platform. Due to their highly speculative nature Multiparty Derivatives are not appropriate for many investors. In this regard, you need to have knowledge and previous trading experience in similar financial instruments in order to satisfy the appropriateness test and be able to operate an account with CloseCross.
- 2.2 This notice provides you with information about the risks associated with Multiparty Derivatives, but it cannot explain all the risks and how such risks could impact or relate to your personal circumstances, your financial situation and financial commitments. If you are in doubt, you should seek independent professional investment advice.

- 2.3 It is important that you fully understand the risks involved before deciding to enter a trading relationship with us. If you choose to enter into a trading relationship with us, it is important that you remain aware of the risks involved that you have adequate financial resources to bear such risks.

3.0 CAPITAL BEING LOST IN CASE OF INCORRECT PREDICTION

- 3.1 When participating on the CloseCross Prediction Market Platform, you will be predicting what the price of Underlying Assets, including but not limited to stocks, commodities, indexes, cryptocurrencies, currency pairs or financial instruments will be, at a specified date and time. Once the prediction is confirmed the funds are committed. At that stage, the committed funds will be ring-fenced in to the respective smart contract. 100% of your committed funds will be lost if your prediction is incorrect. You will be able to generate profits from the prediction only when you get your prediction right.

4.0 MULTIPARTY DERIVATIVES ARE NOT APPROPRIATE FOR LONG TERM INVESTMENT

- 4.1 Prediction trading or Multiparty Derivatives are not appropriate for long-term investors or investors that are applying a long-term investment strategy. Predictions expire on a certain deadline (outcome date and time) and are of short-term investment timeframes.

5.0 ONLY INVEST OR COMMIT FUNDS WHICH YOU CAN AFFORD TO LOSE

- 5.1 Do not invest in Multiparty Derivatives or participate in prediction markets with money you cannot afford to lose. Investment in such instruments carry a high degree of risk to the investor.
- 5.2 You may lose all your committed funds where the prediction made is incorrect, though you will not lose more than the committed funds made in connection with the prediction.
- 5.3 Your pay-out or return will vary and will be based on; the number of other clients who correctly predicted the price of that Virtual Prediction Floor ('VPF') and the amount placed by each of them, the total amount placed by all the clients in that Virtual Prediction Floor ('VPF') including those who did not correctly predict the price (the total committed funds) and the time in which your prediction was placed in comparison to the time when the other winning clients placed their predictions.
- 5.4 CloseCross will charge a facilitation fee against the total committed funds of each VPF at the time of maturity, before distributing the pay-outs for correct predictions. For further information on our fees, please refer to the Terms of Use.

6.0 APPROPRIATENESS TEST

- 6.1 Subject to our obligation to assess whether Multiparty Derivative trading and CloseCross Prediction Market Platform is appropriate for you, any decision whether or not to open an account and whether or not you understand the risks, is yours.
- 6.2 In addition to knowledge and experience we may ask you for information about your financial assets and earnings. We do not monitor on your behalf whether the amount of money that you have sent us or your profits and losses are consistent with the information on your financial situation. It is up to you to assess whether your financial resources are adequate to take the risk of trading with CloseCross.
- 6.3 CloseCross will rely on the information provided by you in assessing whether the financial instruments are appropriate for you. CloseCross shall accept no direct or indirect liabilities or losses suffered as a result of incorrect information or documentation at onboarding or during the course of the relationship.

7.0 REGULATORY RISK

- 7.1 Close Cross is licensed in terms of the Investment Services Act and is regulated by the Malta Financial Services Authority (MFSA). The Investment Services Act in Malta transposes the EU Markets in Financial Instruments Directive II (MIFID II) and under which CloseCross is required to comply in line with its licence.

CloseCross Prediction Market Platform has been placed under the Regulatory Sandbox Regime by MFSA. The decision was based on the rationale that Multiparty Derivatives are considered as innovative financial instruments. This process has its benefits as it allows a regulator to assess the risks that are applicable to the clients and investors and see ways how to improve regulatory requirements that are deemed fit to such a market.

- 7.2 Although CloseCross took steps to ensure that it complies with all applicable regulatory requirements, you should acknowledge and recognise the fact that the regulatory framework which is in force does not entirely address Multiparty Derivatives trading.
- 7.3 CloseCross shall disclose the percentage of clients account that have lost/ won over each of the previous four quarters as well as over a rolling one-year period. It should be noted that this information will not be available in the first 3 months from the commencement of trading activities of the CloseCross Prediction Market Platform, due to the lack of data including unavailability of data on the market.
- 7.4 There might be jurisdictions where prediction market activities, in relation to certain underlying assets (such as cryptocurrencies) are not allowed. Although CloseCross will oversee the requirements in the jurisdictions where it has obtained passporting of services rights, it is your responsibility to ensure that your usage of our services is legal under the laws of your jurisdiction or under the laws of any other jurisdiction to which

you may be subject, as those laws are subject to change. Currently, CloseCross has passported its services under MiFID II to France, Germany, Italy, Netherlands, and Spain.

8.0 DERIVATIVE MARKETS ARE DIVERSE, SPECULATIVE AND VOLATILE

8.1 Derivative markets can be highly volatile and carry high degree of risk. On our Prediction Market Platform, you can place prediction on a range of Underlying Assets. Each of the types of Underlying Assets has risks that are specific to that Underlying Asset, such as with regard to the range and speed of price fluctuations and market liquidity.

8.2 It is important that you comprehend that trading on our Prediction Market Platform is based on predictions and hence there is a limit as to how much reliable information you may obtain on market fluctuations and how the markets will move.

9.0 NO RIGHTS TO THE UNDERLYING ASSET

9.1 Participating on our Prediction Market Platform involves predicting the price movement of an Underlying Asset and therefore you do not have any right to the Underlying Asset. Also, where the trading or participation concerns an equity there are no voting rights attached to that equity price prediction.

10.0 RISK OF DISRUPTION OR INTERRUPTION OF ACCESS TO CLOSECROSS PREDICTION MARKET PLATFORM

10.1 CloseCross relies on computer software, hardware and telecommunications infrastructure and networking to provide its services to clients, and without these systems CloseCross cannot provide the services. These computer-based systems and services such as those used by CloseCross are inherently vulnerable to disruption, delay or failure, which may cause you to lose access to the CloseCross Prediction Market Platform or may negatively affect any or all aspects of CloseCross' services. Under our Terms of Use, you accept the CloseCross systems and services on "as is" and "as available" basis and our liability to you is limited.

10.3 You are also warned that when placing predictions on our Prediction Market Platform you assume the risk of financial loss which may be consequence of amongst other things:

a) Failure of your devices, applications (including e-wallet apps) software and poor quality of connection;

b) Close Cross Prediction Market Platform's hardware and software failure, malfunction or misuse;

- c) Improper work of your equipment used for trading (including mobile devices);
 - d) Wrong setting of your devices;
 - e) Delayed updates of your device, software and/or applications;
 - f) Power cut on you end;
 - g) Physical damage (or destruction) of the communication channels used.
- 10.4 Close Cross may be subject to cybercrime during the course of its business, and this might affect the trades or predictions made including profits made in connection with correct predictions.
- 10.5 You may suffer financial losses caused by the materialisation of the above risks and CloseCross shall accept no responsibility or liability in the case of such a risk materialising.

11.0 COMMUNICATION BETWEEN YOU AND CLOSECROSS

- 11.1 You shall accept the risk of any financial losses caused due to any delays experienced at your end in receiving notices from CloseCross.
- 11.2 You acknowledge that unencrypted information transmitted by email is not protected from any unauthorised access.
- 11.3 Close Cross has no responsibility if unauthorised third persons gain access to information, including your electronic addresses, electronic communication, your personal data, your e-wallet, your data or to your funds or monies when these are being transmitted between CloseCross and yourself using the internet or other network communication facilities or any other electronic means.

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