

NOEMON FINANCE LTD

RISK DISCLOSURE NOTICE

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1. Introduction

Noemon Finance Limited is a private limited company incorporated in the Republic of Cyprus (Registration Number HE 427234), authorised and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) as a Cyprus Investment Firm (“CIF”) under licence number 449/24 (hereinafter the “Company”). Following the implementation of the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) and pursuant to the provisions of the Investment Services and Activities and Regulated Markets Law of 2017 as in force from time to time (the “Law”), the Company is required to provide its clients with information regarding general investment risks, as well as risks associated with various categories of financial instruments.

This Notice does not disclose or explain all risks associated with dealing in financial instruments. It is intended solely to provide a general overview of the risks related to the financial instruments offered by the Company and to assist (potential) clients in making informed investment decisions.

This Notice should NOT be considered as investment advice or a recommendation to engage in any service or to invest in any financial instrument offered by the Company.

2. General Risk Warnings

Investing in financial instruments involves significant risks. The value of an investment may rise or fall over time due to market conditions, economic developments, or factors related to specific issuers. Past performance is not a reliable indicator of future results. There is no guarantee that your invested capital will be preserved, and you may lose some or all of the principal amount invested. In certain circumstances, an investment may lose all of its value and become entirely worthless. Before making any investment decision, you should consider your financial situation, investment objectives and your ability to bear losses.

Historical returns do not constitute any indication of future performance. Trading in financial instruments may be subject to taxes or other duties. Contingent orders, such as stop-loss orders, do not necessarily limit losses to the intended amounts, as market movements can be more rapid or volatile than expected.

If you trade financial instruments denominated in a currency other than your base currency, exchange-rate fluctuations may negatively affect the value, price, or performance of your investment.

Taking into account the risks involved in trading financial instruments, you should not enter into any transaction unless you fully understand the instrument, the risks associated with it, and the extent of your potential exposure. If you are uncertain about the meaning or implications of any of the risk warnings provided, you should seek independent legal or financial advice before making an investment decision.

3. Risks associated with all Financial Instruments

Every type of financial instrument has its own characteristics and entails different risks. This paragraph summarises general risks that may arise across all types of financial instruments, while paragraphs 4 and 5 highlight risks commonly associated with specific types of instruments.

Force Majeure: These are unforeseeable events beyond the control of the Company or market participants such as natural disasters, war, terrorism, pandemics, strikes, or government actions which may adversely affect the markets, the performance of financial instruments, or the ability to execute transactions. Such events may lead to significant delays, disruptions, or losses, and may prevent you from being able to manage or close positions as intended.

Market Risk: The value of financial instruments can fluctuate due to changes in market conditions, including supply and demand, economic developments, political events, or investor sentiment. These fluctuations may result in gains or losses, and there is no guarantee that an investment will maintain its value. You may lose some or all of your invested capital as a result of market movements.

Credit Risk: Credit risk is the risk that a counterparty, issuer, or borrower may fail to meet its financial obligations, including the timely payment of interest or principal. If such a default occurs, the value of your investment may decline, and you could lose part or all of your invested capital. Credit risk can arise in relation to bonds, derivatives, deposits, or other financial instruments where the performance depends on the creditworthiness of a third party.

Liquidity Risk: Liquidity risk refers to the possibility that you may be unable to buy or sell a financial instrument quickly enough, or at a reasonable price, due to insufficient market activity or market disruptions. In such cases, you may incur losses or be unable to close or reduce positions when desired. Liquidity risk can arise even under normal market conditions and may vary depending on the type of instrument, market conditions, or prevailing economic events.

Counterparty Risk: Counterparty risk is the risk that the other party in a financial transaction may be unable or unwilling to meet their contractual obligations. Financial institutions depend on counterparties to complete payments, deliveries, and settlements. If a counterparty defaults, investors may experience financial losses, settlement delays, or operational disruptions, which can also impact broader market stability.

Operational Risk: Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, human errors, systems failures, or external events. Such risks can lead to delays, disruptions, or financial losses and may affect your ability to access, manage, or execute transactions in financial instruments. Operational risk exists independently of market or credit movements and can occur even under normal market conditions.

Systemic Risk: Systemic risk refers to the risk that widespread failures or disruptions in the financial system, including markets, institutions, or infrastructures, may adversely affect the value, price, or liquidity of financial instruments. Such events can lead to significant losses and may occur independently of the performance of individual instruments or issuers.

Settlement Risk: Settlement risk is the risk that a counterparty fails to deliver cash, securities, or other assets as agreed upon in a transaction. This can result in financial losses, delays, or other complications, even if the market value of the financial instrument is favorable. Settlement risk can occur in any market and may be influenced by operational failures, counterparty default, or infrastructure issues.

Foreign Exchange Risk: Foreign Exchange risk arises when financial instruments are denominated in a currency other than your base currency. Fluctuations in exchange rates may affect the value, price, or returns of your investment, potentially resulting in gains or losses. Even if the underlying instrument performs as expected, adverse currency movements can reduce or eliminate returns.

Interest Rate Risk: Interest rate risk arises from fluctuations in market interest rates that may affect the value, price, or returns of financial instruments, particularly fixed-income instruments such as bonds or deposits. Changes in interest rates can lead to gains or losses, and in some cases may significantly reduce the value of your investment. Even small shifts in interest rates can have a material impact, depending on the instrument and its maturity.

Country Risk: Political, economic, or social developments within a country can adversely affect the value, price, or liquidity of financial instruments. These risks may arise from changes in government policies, taxation, regulation, political instability, or restrictions on capital flows. As a result, investments tied to certain countries may experience increased volatility or potential losses, even if the underlying financial instrument performs as expected.

Insolvency Risk: Insolvency risk is the risk that a financial institution, issuer, or counterparty may become unable to meet its financial obligations, including repayment of principal or interest. If insolvency occurs, you could lose part or all of your invested capital, and the recovery of funds may be delayed or limited. This risk may affect deposits, securities, derivatives, or other financial instruments where the counterparty's financial stability is critical.

Technical Risks: Technical risks arise from failures or limitations in electronic trading

systems, platforms, or other technology used to access, execute, or manage financial instruments. This includes system outages, connectivity issues, software errors, cyberattacks, or other technical problems. Such events may lead to delays, incorrect execution of orders, financial losses, or inability to access your account or manage positions as intended.

4. Risks associated with Financial Instruments other than Derivatives

A. Transferable Securities

Transferable Securities include the below financial instruments:

- **Stocks / Shares**: Stocks represent ownership in a company. Their value can rise or fall significantly due to market movements, company performance, economic conditions, or other factors. Shares do not guarantee returns, and companies are under no obligation to pay dividends. In the event of corporate failure or insolvency, investors may lose the entire value of their investment. Shares are exposed to all the risks mentioned above.
- **Bonds**: Bonds are debt instruments issued by corporations, governments, or other entities. Bondholders are entitled to interest payments (coupons) and repayment of principal at maturity. The value of bonds may fluctuate due to interest rate changes, the issuer's creditworthiness, liquidity, market conditions, and other factors. Bonds may be traded on exchanges or Over-the-Counter (OTC), making them transferable. Bond investors are exposed to Market, Credit, Interest Rate, Liquidity, Operational, Settlement, Foreign Exchange, and Insolvency Risks.
- **Warrants**: Warrants give the holder the right, but not the obligation, to purchase an underlying security at a predetermined price before a specific expiry date. Warrants have no voting rights and do not pay dividends. Their value is influenced by the underlying asset and the time to expiry, making them highly volatile. Small changes in the underlying asset price can lead to disproportionately large changes in the warrant's value. Warrants may expire worthless if not exercised or sold, and investors may lose the entire amount

invested, including any costs or commissions. Warrants are subject to Market, Leverage/Gearing and Liquidity Risks, as well as to the other risks mentioned above.

- **Rights (Pre-emptive Rights)**: Rights give existing shareholders the entitlement, but not the obligation, to purchase newly issued shares at a predetermined price within a limited time. Rights may expire worthless if not exercised or sold before expiry. Their value depends on market conditions, the underlying shares, and the terms of the rights' issue. Investors may lose part or all of their investment and are exposed to the same risks as equity securities.
- **Exchange Traded Funds (ETFs)**: ETFs are transferable securities that seek to replicate the performance of an index, commodity, or a basket of assets, while trading on an exchange in the same manner as individual stocks. Their prices fluctuate throughout the trading day in response to market supply and demand. The liquidity of an ETF generally reflects the liquidity of its underlying assets (e.g. shares, bonds, commodities). Investments in ETFs expose investors to the combined risk profile of the underlying assets, unless the ETF is designed to track a single asset.

Investing in Transferable Securities involves significant risks and you may lose part or all of your invested capital. Key risks include Market Risk, Credit Risk, Interest Rate Risk, Liquidity Risk, Foreign Exchange Risk, Operational and Settlement Risk, as well as Insolvency Risk.

B. Money Market Instruments

Money Market Instruments (“MMIs”) are short-term financial instruments with maturity date of up to one (1) year. In such transactions, the lender places funds in the money markets for a specified period, and the borrower must state both the exact amount and the precise duration of the borrowing at the outset. Returns on MMIs are typically generated through fixed or discount-based interest structures.

MMIs carry inherent risks, including but not limited to: Credit Risk, Interest Rate Risk, Liquidity Risk, Market Risk, Concentration Risk, Operational and Settlement Risks.

You should ensure that you fully understand these risks and carefully assess whether MMIs are appropriate for you taking into account your risk profile, investment objectives, and time horizon.

C. Units in Collective Investment Schemes

Collective Investment Schemes (“CIS”) allow multiple investors to pool their assets, which are then professionally managed by an independent fund manager in accordance with a defined investment strategy. Depending on the type of the CIS, investments may include bonds, equities, MMIs, or a broader range of asset classes permitted under the Scheme’s rules. The liquidity of certain CIS may be limited. Redemption of units may require a long notice period, during which the value of the units may fluctuate significantly and may decline. Some CIS may not have an active secondary market, meaning that units can be liquidated only through the Fund’s redemption process. As a result, investors may not be able to sell or exit their investment quickly or at a desired price.

Investing in CIS involves risks, including but not limited to the following:

- **Market Risk**: The value of units may rise or fall due to movements in the financial markets and the performance of the underlying assets. Investors may lose part or all of the capital invested.
- **Liquidity Risk**: Certain CIS, particularly those investing in less liquid assets, may restrict redemptions or impose notice periods. Under adverse market conditions, investors may experience delays or unfavorable pricing when redeeming units.
- **Credit and Counterparty Risk**: Where the CIS invests in bonds, deposits, derivatives, or other financial instruments, there is a risk that issuers or counterparties may fail to meet their obligations, potentially causing losses.
- **Interest Rate Risk**: CIS with significant exposure to fixed-income instruments may be negatively affected by changes in interest rates, which can impact asset valuations.
- **Currency Risk**: If the CIS invests in assets denominated in a currency different from the investor’s own, or if the unit class currency differs from the scheme’s base currency, exchange rate fluctuations may affect returns.

- Concentration Risk: If the portfolio of the CIS is focused on a specific sector, region, or asset class, negative developments in that area may have a greater impact on performance.
- Derivatives and Leverage Risk: Where the CIS use derivatives for investment or hedging purposes, leverage may increase the volatility of returns and amplify both gains and losses.
- Operational and Custody Risk: Losses may arise from failures or disruptions in the scheme's operational processes, systems, or service providers, including custody arrangements.
- Fees and Charges Risk: Management fees, performance fees, and transaction costs will reduce the overall return and may be significant depending on the structure of the CIS.

The value of units may fluctuate, and investors may lose some or all of the capital invested. CIS do not offer any guarantee, and past performance is not indicative of future results. Before investing, investors should ensure they fully understand the characteristics, costs, and risks of the relevant scheme and carefully assess whether the investment is suitable for them taking into account their risk tolerance, financial situation, investment objectives and investment time horizon. You should obtain independent financial advice to ensure that any investment in CIS is appropriate for your financial circumstances.

5. Specific Risks associated with Complex Financial Instruments (“CFDs”) and other Derivative Products

Derivative Products are complex financial instruments whose value depends on the price or level of an underlying asset, index, rate, or other financial instrument. The underlying asset may include equities, bonds, commodities, currencies, or interest rates. Derivatives do not involve ownership of the underlying asset. Their value can fluctuate significantly and may be affected by market movements, volatility, liquidity conditions, and the characteristics of the underlying asset.

Derivative Products include various instruments such as options, future contracts (“futures”), forwards, swaps, and Contracts for Difference (“CFDs”).

- **Futures:** These are standardised legal contracts to buy or sell a specific underlying asset, such as a commodity, or financial instrument, at a predetermined price on a specific date in the future. Futures are typically traded on regulated exchanges and are used by investors to speculate on price movements.

- **Swaps** are OTC derivative contracts between two parties to exchange liabilities or cash flows from different financial instruments or assets over a set period. Common types of Swaps include:
 - Interest Rate Swaps: Two parties use interest rate swaps to exchange interest payments based on a notional amount and

 - Currency Swaps where the parties exchange principal and interest payments in different currencies.

- **Options:** An option is a financial contract that gives the purchaser (the option holder) the right, but not the obligation, to buy or sell a specified quantity or notional value of an underlying asset at a predetermined price (the strike price) on or before a set expiration date. The seller (or writer) of the option assumes the obligation to buy or sell the underlying asset if the holder chooses to exercise their right. All options contracts specify:
 - the expiration date, after which the contract becomes void;
 - the strike price;
 - the contract size (such as the number of shares covered);
 - whether the option is a call or a put; and
 - the option style (such as American or European), which determines when it may be exercised.

Call options give the holder the right, but not the obligation, to buy the underlying asset. If a call is exercised or assigned, the writer is obligated to sell the asset.

Put options give the holder the right, but not the obligation, to sell the underlying asset. If a put is exercised or assigned, the writer is obligated to buy the asset.

- **Forward Rate Agreements:** A Forward Rate Agreement (FRA) is a contract in which two parties agree on an interest rate to be applied to a notional principal amount for a specified future period. The FRA settles at the start of that future period, and the settlement amount compensates one party for the difference between the agreed-upon rate and the actual market rate that prevails at that time.

When the agreed rate in the FRA is equal to the current forward rate implied by the yield curve, the FRA has a value of zero at inception. This is because market participants could replicate the future interest rate exposure using other instruments (e.g., borrowing/lending or interest rate swaps), so no party has an advantage. The FRA has a positive value to the fixed-rate receiver (the party receiving the agreed rate) when the agreed rate is higher than the prevailing forward rate for the same period. On the other hand, the FRA has a negative value when the agreed rate is lower than the prevailing forward rate. Because FRAs settle at the start of the interest period, the payoff is discounted back to that date using the prevailing market rate for the FRA period.

- **Derivative Instruments for the transfer of credit risk:** These instruments allow a lender to pass the credit risk of a borrower to a third party without making him a party of the lender-borrower relationship. Basic types of credit derivatives are, Credit Default Swaps, Total Return Swaps and Credit Linked Notes.

In a Credit Default Swap, the seller promises to the buyer, in return for a premium, to pay compensation if a credit event occurs. Credit events are, for example, the bankruptcy of the reference borrower, obligation default, failure to pay or restructuring of the borrower.

In a Total Return Swap, the parties stipulate that the buyer will forward the actual earnings of a reference asset and its appreciations to the seller, while the seller pays fixed or variable interest and compensates the buyer for possible losses in value of the reference asset. This way the buyer does not only take over the credit risk of the borrower, but also assumes the price risk of the reference asset.

A Credit Linked Note is a security with an embedded credit default swap. The interest rate of the note and the principal will only be paid/paid back to the investor if a previously stipulated credit event with regard to the reference borrower or reference asset does not occur. As the issuer of the note receives the full principal in the beginning, it does not assume the credit risk of the note buyer.

- **CFDs:** These are derivative products that allow investors to gain exposure to the price movements of an underlying asset such as a share, index, commodity, or currency without owning the asset itself. A CFD may generate profits or losses depending on how the price of the underlying asset moves. Although the CFD price generally reflects the price of the underlying asset, this may not always be the case. When trading CFDs, you do not purchase or hold the underlying asset.

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage.

The vast majority of retail client accounts lose money when trading in CFDs.

You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

Derivative Products are highly speculative and involve a wide range of significant risks, including Market Risk, Counterparty Risk and Liquidity Risk.

Many derivative products, including CFDs, involve leverage, which allows investors to gain exposure to a larger position than the capital initially invested. While leverage can increase potential profits, it also amplifies potential losses, which may exceed the original investment.

Many derivatives, including CFDs, require margin i.e. a collateral deposited to maintain a leveraged position. If the market moves against your position, you may need to provide additional funds to meet margin calls. Failure to do so could result in the forced closure of positions and substantial financial losses.

Derivative products, including CFDs, can be extremely volatile and may not be suitable for all investors. You should not engage in derivatives trading unless you have the necessary knowledge, experience, and financial resources. Before trading derivative products, you should ensure you fully understand the risks involved and you are financially able to bear potential losses.

6. Disclaimer and General Risk Statement

The Company does not guarantee profits or protection against losses and cannot promise any specific level of performance or success for any investment strategy.

Clients should ensure they fully understand the risks associated with each financial instrument offered by the Company and confirm that they are financially able to bear potential losses.

The Company reserves the right to amend this Notice at its sole discretion whenever it deems fit or appropriate.

This Notice does not form part of our Client Agreement and is not intended to be legally binding. It does not create any obligations for the Company beyond those established under the Client Agreement.