NextTrade

RISK DISCLOSURE

Version 1
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1. Introduction

Riza Financial Pty Ltd. (“the Company”) trading under the brand Next Trade is a is a Company incorporated in the Republic of South Africa, with Company registration number 2021/910163/07 and registered address at OFFICE 029 1ST FLOOR 101 ISAIAH NTSHANGASE RD STAMFORD HILL DURBAN KWA-ZULU NATAL 4001. **Next Trade** is regulated and authorized by the International Financial Sector Conduct Authority (“FSCA”) in the Republic of South Africa as an Over-The-Counter Derivative Provider and a Financial Service Provider (FSP No.52855) and is authorised to provide advice and intermediary service on derivative instruments. The Company acting in its capacity as an Over-The-Counter Derivative Provider and a Financial Service Provider and in accordance with the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002).
This document contains important information about the risks associated when dealing with Contracts for Difference (“CFDs”) or other financial derivative products. This document cannot and does not disclose or explain all of the risk and other significant aspects involved in trading CFDs or any other financial derivative products.

The FSP does not conduct market making nor will it be counterparty to your trades in CFDs. The FSP merely provides a website through which you may visit the product supplier’s website in order to decide whether you wish to open a trading account. In this respect, you are advised to carefully read and documents.

2. General Risk Warning for CFDs

Trading CFDs and FX Contracts is highly speculative, involves a significant risk of loss and is not suitable for all investors but only for those customers who: understand and are willing to assume the economic, legal and other risks involved; are experienced and knowledgeable about trading in derivatives and in underlying asset types; and are financially able to assume losses significantly in excess of margin or deposits because investors may lose the total value of the contract not just the margin or the deposit.

Neither CFDs nor FX Contracts are appropriate investments for retirement funds. CFD and FX transactions are among the riskiest types of investments and can result in large losses. Customer represents, warrants and agrees that Customer understands these risks, is willing and able, financially and otherwise, to assume the risks of trading CFDs and FX Contracts and that the loss of Customer’s entire account balance will not change Customer’s lifestyle.

You should not engage in this form of investing unless you understand the nature of the Transaction you are entering into and the true extent of your exposure to the risk of loss. Your profit and loss will vary according to the extent of the fluctuations in the price of the underlying markets on which the trade is based and your losses could exceed your initial deposit. If you are in any doubt you should seek independent professional advice.

The purpose of these Transactions is to secure a profit or avoid a loss by reference to fluctuations in the price of the underlying market. In the context of our activities, the underlying instrument may be securities, a securities Index, an exchange rate between two currencies, a treasury product, a bullion, a commodity or such other investment as we may from time to time agree in writing.

It is an express term of each Transaction that:

a. Neither party acquires any interest in or right to acquire or is obliged to sell, purchase, hold, deliver or receive the underlying instrument;
b. Neither party acquires any voting rights in relation to the underlying instrument; and
c. The rights and obligations of each party under the Transaction are principally to make and receive such related payments.

You may be called upon to deposit substantial additional margin, at short notice, to maintain your position. If you do not provide such additional funds within the time required, your position may be closed at a loss and you will be liable for any resulting deficit. You should ensure you monitor your positions closely and always have access to our platforms when you have open positions or pending orders.

CFDs and Forex contracts are not regulated by a recognized or designated investment exchange and are known as “Over-the-Counter” (OTC) transactions as they will not be executed on a recognized or designated investment exchange. Accordingly, when you trade in CFDs, FOREX or any other product with the product supplier, you enter into off-exchange ("OTC") derivative transactions, by placing your orders through the product supplier’s trading platform.

All positions entered into with the product supplier must be closed with the product supplier and cannot be closed with any other entity. In this case, you are exposed to the risk of the product supplier’s default. Counterparty risk is the risk that the counterparty defaults and is unable to meet its financial obligations. There is no clearing house for CFDs.

OTC transactions may involve greater risk than investing in on-exchange contracts because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an OTC transaction or to assess the exposure to risk.

3. Trading is considered to be risky and speculative

You are responsible for all the losses suffered in your trading account held with the product supplier. Consequently, you should be prepared to lose all your invested capital due to fluctuations in value. Do not invest money you cannot afford to lose.

4. Leverage

Before you open a trade on CFDs or other financial derivative products through your trading account with the product supplier, you will be required to add money in the trading account in order maintain a margin. This margin is usually relatively modest proportion of the overall contract value. This means that you will be trading using “leverage” or “gearing”. This means that a relatively small market movement can lead to a proportionately much larger movement in the value of your position and this can work either against you or in your favor.

At all times during which you have open trades, you must maintain enough equity in your trading account, taking into consideration all accrued profits and losses, for meeting the margin requirements. It is your responsibility to monitor your trades closely. If prices move against you then you must deposit sufficient funds to avoid any margin calls/stop outs; otherwise the product supplier will be entitled to automatically close one or more or all of your trades (including any positions that are currently showing a profit).

The nature of margin trading markets means that both profits and losses can be magnified and you could incur very large losses if your position moves against you. However, you cannot lose more than the balance on your trading account.

5. Risks related to long CFD positions, i.e. for purchasers of CFDs

Being long in CFD means you are buying the CFDs on the market by speculating that the market price of the underlying will rise between the time of the purchase and sale. As owner of a long position, you will generally make a profit if the market price of the underlying rises whilst your CFD long position is open. On the contrary, you will generally suffer a loss, if the market price of the underlying falls whilst your CFD long position is open. Your potential loss may therefore be bigger than the initial margin deposited. In addition, you might suffer a loss due to the closure of your position, in case you do not have enough liquidity for the margin on your account in order to maintain your position open.

6. Stop Out (Margin close-out) rule

The product supplier applies a margin close out (i.e., stop-out) rule on a per account basis. This means that in a situation where the equity in your trading account (including unrealized profit/losses) reaches or drops below the margin level required to maintain your open positions (i.e. 50% of the total margin required to maintain the open positions), the product supplier will start automatically closing your open positions on CFDs (starting from the least profitable positions and until the margin level requirement is met) in order to prevent further losses in your trading account.

7. Risks related to short CFD positions, i.e. for sellers of CFDs

Being short in CFD means you are selling the CFDs on the market by speculating that the market price of the underlying will fall between the time of the purchase and sale. As owner of a short position, you will generally make a profit if the market price of the underlying falls whilst your CFD short position is open. On the contrary, you will generally suffer a loss, if the market price of the underlying rises whilst your CFD short position is open. Your potential loss may therefore be bigger than the initial margin deposited. In addition, you might suffer a loss due to the closure of your position, in case you do not have enough liquidity for the margin on your account in order to maintain your position open.

8. Underlying Market Volatility

CFDs and other financial derivative products are instruments that allow you to trade on price movements in underlying markets/instruments. Even though the product supplier offers its own prices at which you trade CFDs and other financial derivative products, the product's supplier prices are derived based on the underlying instruments/ markets.

It is important for you to understand that the prices of the underlying instruments and the derivative financial instruments may fluctuate rapidly and over wide ranges, reflecting unforeseeable events or changes in market conditions, none of which can be controlled by you or the product supplier, and consequently affect your profitability. Under certain market conditions, it can be impossible for the product supplier to execute any types of client orders at the declared price. Therefore, even an open trade with a "stop loss" order cannot always guarantee the limit of loss.

You should also be aware of "gapping". Gapping (or Slippage) refers to an occurrence whereby the market moves past a Stop Loss level. This may be because the particular underlying market has become unusually volatile for a period of time. In such instances the underlying market may have stopped trading and may only recommence trading at a price below a Stop Loss level. Where this happens, a Stop Loss may not be effective and the Position will be closed at the current quote.

If you do not have enough time to monitor your investment on a regular basis, you should not invest in CFDs or other complex financial instruments. These products are not suitable to 'buy and hold' trading.