

RISK WARNING NOTICE

Capstone Prime is a trading name of Black Pearl Securities Ltd, a company registered in England and Wales with company number **08823678** and having its registered office at 23 Austin Friars London, EC2N 2QP ("**Black Pearl Securities Ltd**", "**we**", "**us**") and authorised and regulated by the Financial Conduct Authority ("**FCA**") with Financial Services Register Number 688456.

INTRODUCTION

This notice is provided to you in compliance with FCA requirements because you are proposing to undertake dealings in spread trades and/ or Contracts for Difference ("CFDs") with Black Pearl Securities Ltd. These contracts are a high risk financial product and are not suitable for everyone. It is important that you fully understand the risks involved before entering into any transactions with us.

Black Pearl Securities is prohibited under its FCA permissions from providing you with investment advice relating to investments or possible transactions in investments or from making investment recommendations of any kind. We can give you factual market information or information in relation to a transaction about which you have enquired and we will inform you of the potential risks involved and how those risks may be minimised. It is important that, should you proceed with entering into transactions with us, you continue to remain aware of the risks involved and seek your own independent advice.

This notice details information about some of risks associated with these products but cannot explain all of the risks nor how such risks relate to your personal circumstances. If you are in any doubt you should seek professional advice as it is important that you fully understand the risks involved before making a decision to enter into a trading relationship with us.

APPROPRIATENESS

Prior to proceeding with the opening of an account for you, we are required to undertake an evaluation as to whether it is appropriate for you to trade with us, and to warn you if, on the basis of the information you provide to us, such trading is not appropriate. If we believe it is not, we shall warn you accordingly. For many these transactions are not suitable. You should, therefore, consider carefully whether they are suitable for you in the light of your personal circumstances, financial resources and investment objectives.

The decision whether to proceed with the account opening and whether or not you understand the risk involved, is entirely yours and you should not engage in this form of trading unless you understand the nature of the transaction you are entering into and the true extent of your exposure to the risk of loss.

We may ask you for details of your income and liquid savings and investments, together with your experience as an investor, however we will not monitor these and it is your responsibility to ascertain whether your financial resources are adequate to cover the risks of any trading that you undertake, or that the amount of trading funds you have sent us is consistent with that information. In deciding whether or not to commence transacting with us, you should consider the following information with great care.

GEARING AND LEVERAGE

Each trade that you enter into will generally require you to have sufficient funds available to cover the margin requirement. These amounts vary from underlying market to underlying market from which any trade you do with us is derived. It will also depend on the size of the transaction. In effect, margin will usually be a relatively small proportion of the overall value of the spread trade or CFD. This means you will be gearing or leveraging

up. A comparatively modest deposit or margin may be made in terms of the overall contract value, which is described as a highly geared or leveraged account.

As a result of the high degree of gearing and leverage any relatively small movement in price can result in a disproportionately dramatic or substantial effect on your trade resulting in either a high return and profit (movement for you) or substantial losses (movement against you) causing you to lose quickly, even resulting in the loss of your entire deposit and to your being exposed to additional losses over and above your initial deposit.

You must monitor your open trades closely at all times, as any relatively small price movement may result in you being required to immediately deposit substantial additional margin funds and your failure to do so may result in the closure of all or any of your trades. You will be liable for all losses or deficits incurred.

You should also be aware that under our Customer Terms and Conditions we are entitled to increase margin rates on short notice. If we do so, you may be required to deposit additional funds into your account to cover the increased margin rates. If you do not do this when required, we shall be entitled to close one or more of your trades.

It is possible for you to lose more than the level of funds you have deposited with us and any negative cash balance as a result of this will be immediately due and payable as these spread trades and CFDs are legally enforceable.

We are required to hold your money in segregated accounts in accordance with the regulations of FCA, but this may not afford complete protection.

CFDS AND SPREAD TRADES ARE OVER THE COUNTER DERIVATIVES

Our CFDs and spread trades are not made on any recognised or designated investment exchange. The prices and other conditions are set by us, subject to any obligations we have to provide best execution, to act reasonably and in accordance with our Customer Terms and Conditions and with our Order Execution Policy. Each CFD and spread trade that you open through our trading platform results in you entering a contract with us; these contracts can only be closed with us and are not transferrable to any other person.

This means that you may be exposed to the risk of our default. In this unlikely event, we are members of the Financial Services Compensation Scheme which, in respect of proven and “eligible claims” arising to provides protection of 100% of up to £50,000 for any claim. Further information about compensation arrangements and limits is available from the Financial Services Compensation Scheme, www.fscs.org.uk

Where entering into trades and transactions with you, we must do so under a two-way customer agreement pursuant to the FCA Conduct of Business rules unless exempted from doing so. You should satisfy yourself that dealing is conducted throughout in strict conformity with that customer agreement and report to the FCA if you have reason to believe it is not.

NO RIGHT TO THE UNDERLYING INVESTMENT INSTRUMENT

Our CFDs and spread trades do not provide any right to the underlying instruments or, in the case of CFDs based on shares, to voting or other shareholder rights.

NO ADVICE

We do not provide investment advice relating to investments or possible transactions in investments. We are permitted to provide factual market information and information about transaction procedures, potential risks involved and how those risks may be minimised, but, any decisions made must be yours.

UNDERLYING MARKET FLUCTUATIONS

CFDs and spread trades are financial instruments that allow you to speculate on price movements in underlying markets. Although the prices at which you trade CFDs and spread trades are set by us, our prices are derived from the underlying market. It is important therefore that you understand the risks associated with trading in the relevant underlying market because fluctuations in the price of the underlying market can affect the profitability of your trade.

Some such risks include:

(A) CURRENCY:

If you trade in our product based on an underlying market other than your base currency market, currency exchange fluctuations may impact your profits and losses;

(B) VOLATILITY:

Movements in the price of underlying markets can be volatile and unpredictable. This will have a direct impact on your profits and losses. Knowing the volatility of an underlying market will help guide you as to where you may wish to place any stop losses.

(C) GAPPING:

Gapping is a sudden and often dramatic shift in the price of an underlying market from one level to another. Various factors can lead to gapping (for example, economic events and data releases, world events or market announcements) and gapping can occur both when the underlying market is open and when it is closed.

When these factors occur when the underlying market is closed, the price of the underlying market when it reopens (and therefore our derived price) can be markedly different from the closing price, with no opportunity to close your trade in between. If such events occur, gapping can result in significant losses (or profits) and unless you have a guaranteed stop loss facility in place, you will have no protection against this and therefore be liable for any loss in its entirety.

(D) UNDERLYING MARKET GAPPING.

In setting our prices, spreads and the sizes in which we will deal we take account of the market or markets for the relevant underlying instruments. Underlying market conditions such as liquidity can change significantly in a very short period of time, so that if you wish to close a contract we might not be able to do so under the same terms as when you opened it.

(E) COSTS AND CHARGES

Prior to placing any trades or business through your account with us, please be sure that you both understand and are aware of all costs and charges that apply to you, because such costs and charges will affect your profitability.

(F) TRADES WITHOUT GUARANTEED STOP LOSS PROTECTION

When a stop loss is triggered it has the effect of issuing an order by you to close your position. It is therefore not necessarily closed immediately when the stop is triggered. We aim to deal with such orders fairly and promptly but the time taken to fill the order and level at which the order is filled depends upon the underlying market. In fast-moving markets a price for the level of your order might not be available, or the market might move quickly and significantly away from the stop level before we fill it. We do not automatically offer or provide a guaranteed stop loss facility. Both simple and guaranteed stop loss facilities are only available at our absolute discretion.

(G) CORPORATE ACTIONS

We do not aim to make a profit from our clients from the outcome of corporate actions such as takeovers and mergers, share issuances and distributions or consolidations, and tender offers. We aim to reflect the treatment we receive as part of hedging our exposure to you. However, the treatment you receive may be less advantageous than if you owned the underlying instrument. We may have to ask you to make a decision on a corporate action earlier than if you owned the underlying instrument or the options we make available to you might be more restricted and less advantageous than if you owned the underlying instrument.

(H) ELECTRONIC COMMUNICATIONS

We offer you the opportunity to communicate with us via electronic means such as email. Although electronic communication is often a reliable way to communicate, no electronic communication is entirely secure, reliable or always available. If you choose to deal with us via electronic communication, you should be aware that electronic communications can fail, can be delayed, may not be secure and/or may not reach the intended destination.

(I) CLOSING POSITIONS

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example at times of rapid price movement if the price rises or falls in one trading session to such an extent that trading is restricted or suspended.

OMBUDSMAN

If you have reason to believe that we are not acting in accordance with representations that we have made to you, the terms of your customer agreement or the rules of the FCA, you should report the matter to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR telephone number 020 7964 1482.