

Trading Execution Risks

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TRADING EXECUTION RISKS

In order to have the best possible trading experience, all traders, regardless of their previous experience, should be well informed about the execution risks involved with trading with Charterprime.

HIGH RISK INVESTMENT

Trading foreign exchange on margin carries a high level of risk, and may not be suitable for all investors. The high degree of leverage can work against you as well as for you. Before deciding to trade foreign exchange you should carefully consider your investment objectives, level of experience, and risk appetite.

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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.

STRAIGHT THROUGH PROCESSING (STP)

Charterprime provides forex execution via a straight through processing, or No Dealing Desk execution model. In this model Charterprime passes on to clients the best prices that are provided by one of Charterprime's liquidity providers (which include global banks, financial institutions, prime brokers and other market maker). In this model, Charterprime does not act as a market maker in any currency pairs. As such, Charterprime is reliant on these external providers for currency pricing. Although this model promotes efficiency and competition for market pricing, there are certain limitations to liquidity that can affect the final execution of your order.

SLIPPAGE

Charterprime aims to provide clients with the best platform bridging pricing available and to get all orders filled at the requested rate. As such, Charterprime has obtained close banking relationships with some of the world's largest and most aggressive price providers. Having multiple price providers is especially important in volatile markets, when one or two banks may post wide spreads, or simply avoid quoting any price at all. With so many major banks quoting prices to Charterprime, there are competitive spreads and fills, even during market-moving news events.

However, there are times when, due to an increase in volatility or volume, orders may be subject to slippage. The volatility in the market may create conditions where orders are difficult to execute, since the price might be many pips away due to the extreme market movement. Although the trader is looking to execute at a certain price, the market may have moved significantly and the order would

be filled at the next best price or the fair market value. Similarly, increased volume may also result in slippage if sufficient liquidity does not exist to execute all trades at the requested rate.

Please be advised that 'slippage' is a normal market practice and a regular feature of the foreign exchange and stock markets under conditions such as illiquidity and volatility due to news announcements, economic events and market openings.

Once a stop is triggered, it becomes an At Best market order, and there is no guarantee it will be filled at any particular given price. Therefore, stop orders may incur slippage depending on market conditions.

DELAYS IN EXECUTION

A delay in execution may occur for various reasons, such as technical issues with the trader's internet connection to the Charterprime servers, which may result in hanging orders. The Charterprime trading platform on a trader's computer may not be maintaining a constant connection with the Charterprime servers due to a lack of signal strength from a wireless or dialup connection. A disturbance in the connection path can sometimes interrupt the signal, and disable the Trading Station, causing delays in transmission of data between the trader's Charterprime trading platform and the Charterprime server. One way to check your internet connection with Charterprime's server is to ping the server from your computer.

RESET ORDERS

Market volatility creates conditions that make it difficult to execute orders at the given price due to an extremely high volume of orders. By the time orders are able to be executed, the bid/ask price at which a counterparty is willing to take a position may be several pips away.

In cases where the liquidity pool is not large enough to fill an order, the order will be rejected. For Limit Entry or Limit Orders, the order would be rejected and reset until the order can be filled. Charterprime offers the At Best order type for traders who wish to avoid this situation.

WIDENED SPREADS

Charterprime strives to provide traders with tight, competitive spreads; however, there may be instances when spreads widen beyond the typical spread. During news events, spreads may widen substantially in order to compensate for the tremendous amount of volatility in the market. The widened spreads may only last a few seconds or as long as a few minutes. Charterprime strongly encourages traders to utilize caution when trading around news events and always be aware of their account equity, usable margin and market exposure. Widened spreads can adversely affect all positions in an account.

HANGING ORDERS

During periods of high volume, hanging orders may occur. This is a condition where an order sits in the 'orders' window after it has been executed. The order will be highlighted in red, and the Status column will indicate 'executed' or 'processing.' Generally, the order has been executed, but it is simply taking a few moments for it to be confirmed by the banks. During periods of heavy trading volume, it is possible that a queue of orders will form. That increase in incoming orders may sometimes create conditions where there is a delay from the banks in confirming certain orders. Depending upon the

type of order placed, outcomes may vary. If the limit order cannot be filled, or if the delay has passed, the order will be rejected.

If it is an At Best order, every attempt will be made to fill the order at the next best available price in the market. In both situations, the 'status' column in the 'orders' window will typically indicate 'executed' or 'processing.' The trade will simply take a few moments to move to the 'open positions' window. Depending upon the order type, the position may in fact have been executed, and the delay is simply due to heavy internet traffic.

Keep in mind that it is only necessary to enter any order once. Multiple entries for the same order may slow or lock your computer or inadvertently open unwanted positions.

If at any time you are unable to access the Charterprime trading platform to manage your account, you may contact us directly via email: enquiry@charterprime.com or visit www.charterprime.com for contact information.

GRAYED OUT PRICING

Charterprime does not intentionally 'gray out' prices; however, this is a condition that occurs when liquidity decreases, and market makers that provide pricing to Charterprime are not actively making a market for particular currency pairs. At times, a severe increase in the difference of the spread may occur due to a loss of connectivity with a bank or due to an announcement that has a dramatic effect on the market that dries out liquidity. Such graying out of prices or increased spreads may result in margin calls on a trader's account. When an order is placed on a currency pair affected by grayed out prices, the P/L will temporarily flash to zero until the pair has a tradable price and the system can calculate the P/L balance.

INVERTED SPREADS

When utilizing Charterprime technology, you are trading on feeds that are being provided by multiple top-tier banks and financial institutions. Unfortunately, online trading technology is not perfect and, in rare cases, this feed can be disrupted. This may only last for a moment, but when it does, spreads often become inverted. During these rare occasions, Charterprime advises that clients avoid placing orders. While it may be tempting to place a 'free trade,' keep in mind that the prices are not real and your actual fill may be many pips away from the displayed price.

In the event that trades are executed at rates not actually offered by Charterprime's banks and financial institutions, Charterprime reserves the right to reverse such trades, as they are not considered valid trades. Keep in mind these instances are usually rare, and by not trading during these moments, traders can avoid the risk associated with the above scenarios.

TRADING HOURS

Trading hours are generally from Sunday 22:00 (GMT+0) through Friday 21:00 (GMT+0). The open or close times may be altered by the Trading Desk because it relies on prices being offered by banks and financial institutions that provide liquidity for Charterprime.

Outside of these hours, most of the major world banks and financial centres are closed. The lack of liquidity and volume during the weekend impedes execution and price delivery.

PRICES UPDATING BEFORE THE OPEN

Shortly prior to the open, the Trading Desk refreshes rates to reflect current market pricing in preparation for the open. At this time, trades and orders held over the weekend are subject to execution. Quotes during this time are not executable for new market orders. After the open, traders may place new trades, and cancel or modify existing orders.

LIQUIDITY

Please be aware that during the first few hours after the open, the market tends to be thinner than usual until the Tokyo and London market sessions begin. These thinner markets may result in wider spreads, as there are fewer buyers and sellers. This is largely due to the fact that for the first few hours after the open, it is still the weekend in most of the world. Liquidity may also be impacted around trade rollover as many of the Company's liquidity providers momentarily come offline to settle the day's transactions which may also result in wider spreads around that time due to a lack of liquidity. In illiquid markets, traders may find it difficult to enter or exit positions at their requested price, experience delays in execution, and receive a price at execution that is a significant number of pips away from your requested rate.

In addition to the order type, a trader must consider the availability of a currency pair prior to making any trading decision. As in all financial markets, some instruments within that market will have greater depth of liquidity than others. Ample liquidity allows the trader to seamlessly enter or exit positions, near immediacy of execution, and minimal slippage during normal market conditions. However, certain currency pairs have more liquid markets than others.

GAPPING

Sunday's opening prices may or may not be the same as Friday's closing prices. At times, the prices on the Sunday open are near where the prices were on the Friday close. At other times, there may be a significant difference between Friday's close and Sunday's open. The market may gap if there is a significant news announcement or an economic event changing how the market views the value of a currency. Traders holding positions or orders over the weekend should be fully comfortable with the potential of the market to gap.

One of the great things about trading forex is that outside of announced major holidays, the trading hours routinely close only once a week on the weekends, which corresponds with the hours of major banks and financial institutions. In contrast, most stock exchanges close five times each week, and can gap significantly on each day's open.

WEEKEND RISK

Traders who fear that the markets may be extremely volatile over the weekend, that gapping may occur, or that the potential for weekend risk is not appropriate for their trading style, may simply close out orders and positions ahead of the weekend.

MARGIN CALLS

The idea of margin trading is that your margin acts as a good faith deposit to secure the larger notional value of your position. Margin trading allows traders to hold a position much larger than the actual account value. Charterprime's online trading platform has margin management capabilities, which allow for this high leverage. Of course, trading on margin comes with risk, since high leverage may

work against you as much as it works for you. If account equity falls below margin requirements, the Charterprime trading platform will trigger an order to close all open positions.

When positions have been over-leveraged or trading losses are incurred to the point that insufficient equity exists to maintain current open positions, a margin call will result, and open positions must be liquidated.

Please keep in mind that when the account's useable margin reaches zero, all open positions are triggered to close. The margin-call process is entirely electronic, and there is no discretion on Charterprime's part as to the order in which trades are closed. Such discretion would require Charterprime to actively monitor positions and accounts.

Example: A trader has \$10,000 in a standard account and his margin requirement is 1% (i.e., he has leverage of 100:1). For each position he opens (each position = 1 lot = 100,000 notional value), he is required to set aside \$1000 in used margin. If he opens two positions, his required margin is \$2000. The trader can lose up to \$8000 before he starts dipping into his margin requirement. When his account equity reaches \$2000, a margin call is triggered and all positions will be closed.

The margin requirements per lot (lot size of 100,000) depends on the leverage the trader/client is using. It is strongly advised that clients maintain the appropriate amount of margin in their accounts at all times. Margin requirements may also be changed based on account size, simultaneous open positions, trading style, market conditions, and at the discretion of Charterprime.

CHART PRICING VS. PRICES DISPLAYED ON THE PLATFORM

It is important to make a distinction between indicative prices (displayed on charts) and deal-able prices (displayed on the MT4 Platform). Indicative quotes are those that offer an indication of the prices in the market, and the rate at which they are changing. Market watchers, such as S&P and eSignal, compile indicative quotes as a proxy for the market's actual movement. These prices are derived from a host of contributors such as banks and clearing firms, which may or may not reflect where Charterprime's liquidity providers are making prices. Indicative prices are usually very close to dealing prices. Indicative quotes only give an indication of where the market is. Equity and futures traders dealing through a broker will see indicative quotes. Executable quotes ensure finer execution and thus a reduced transaction cost.

Equity and futures traders are used to prices being the same at any given time, regardless of which firm they are trading through or which charting provider they are using and they often assume the same holds true for spot forex. Because the rolling spot forex market is decentralized meaning it lacks a single central exchange where all transactions are conducted each forex dealer (market maker) may quote slightly different prices. Therefore, any prices displayed by a third-party charting provider, which does not employ the market maker's price feed, will reflect 'indicative' prices and not necessarily actual 'dealing' prices where trades can be executed.

MOBILE TRADING PLATFORM

There are a series of inherent risks associated with the use of the mobile trading technology such as the duplication of order instructions, latency in the prices provided, and other issues that are a result of mobile connectivity. Prices displayed on the mobile platform are solely an indication of the executable rates and may not reflect the actual executed price of the order.

Charterprime's Mobile MT4 utilizes public communication network circuits for the transmission of messages. Charterprime shall not be liable for any and all circumstances in which you experience a delay in price quotation or an inability to trade caused by network circuit transmission problems or any other problems outside the direct control of Charterprime.

Transmission problems include but are not limited to the strength of the mobile signal, cellular latency, or any other issues that may arise between you and any internet service provider, phone service provider, or any other service provider.

ORDER EXECUTION

Charterprime will endeavour and take reasonable steps to obtain the best possible result for clients. For any financial instrument, Charterprime will provide quotes for the ASK price (the market maker's selling price) and the BID price (the market maker's buying price). The difference between the lower and the higher price of a financial instrument forms the spread, which can be seen in the Company's MT4 trading platform.

Pending orders such as Buy Limit, Buy Stop and Stop Loss/Take profit for opened short position are to be closed at ASK price. Such orders as Sell Limit, Sell Stop and Stop Loss/Take profit for opened long position are to be closed at BID price.

Limit orders are often filled at the requested price. If the price requested is not available in the market, the order will not be filled. If the requested price of a stop order is reached at the open of the market on Sunday, the order will become a market order. Limit Entry (LE) orders are filled the same way as limit orders. Stop Entry (SE) orders are filled the same way as stops.

Charterprime's price for the financial instruments are based on the price of the relevant underlying financial instrument, which Charterprime obtains from third party liquidity providers. Charterprime will not quote any price outside the Company's trading hours (see above) therefore no orders can be placed by the Client during that time.

Speed of Execution

The Company strives to offer high speed of execution within the Company's technological and other limitations. The use of wireless connection or dial-up connection or any other form of unstable connection at the Client's end, may result in poor or interrupted connectivity or lack of signal strength, causing delays in the transmission of data between the Client and Charterprime when using Charterprime's electronic trading platform.

Size Of Order

The minimum size of an order is 0.01 lots for the MetaTrader 4 platform. Although there is no maximum size of an order where the Client can place with the Company, the Company reserves the right to decline an order as explained in the "Terms and Conditions" on Charterprime's website.

The Company endeavours to fill the order of the client irrespective of the volume. However, if this is achieved, it may be at the best available price, as the market liquidity may allow at the time of execution. Charterprime reserves the right to place a cap on the number of contracts and/ or limit on the total net position value per profile for a specific instrument. In such an event, the Company will take reasonable steps to notify clients.