Execution Risks

Stratos Europe Limited

Stratos Europe Limited, (trading as "Tradu") is a Cyprus Investment Firm ("CIF") registered with the Cyprus Department of Registrar of Companies (HE 405643) and authorised and regulated by the Cyprus Securities and Exchange Commission ("CySEC") under license number 392/20. Registered address: DOMS Assets Business Centre, 33 Neas Engomis Street, 2409 Engomi, Nicosia, Cyprus.

Here you will find information detailing the execution risks associated with Tradu's Contracts for Difference (CFDs) execution. Please note that these risks are inclusive of all instruments offered on the CFD account, including Forex trading, but may differ for other asset classes offered by Tradu.

In the interest of providing you with the best possible trading experience, Tradu feels it is imperative for all traders, regardless of their previous experience, to be well informed about the execution risks involved with trading. Tradu is your counterparty to every transaction. For every transaction, Tradu may choose to hedge your trade immediately with a Liquidity Provider. Hedging activities with Liquidity Provider(s) will be determined by Tradu in accordance with its broader risk management framework for the Tradu Group.

HIGH RISK INVESTMENT

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

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

Trading CFDs on margin carries a high level of risk and may not be suitable for all investors. Before deciding to trade these products offered by Tradu you should carefully consider your objectives, financial situation, needs and level of experience. The products are intended for retail, professional and eligible counterparty clients, who among other things, have high tolerance to risk, market speculation objectives and risk-oriented attitude, adequate knowledge and experience related to the specific products and an ability to lose 100% of their invested funds with no additional obligations.

TRADU MARKET OPINIONS

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INTERNET TRADING RISKS

There are risks associated with utilising an internet-based deal-execution trading system including, but not limited to, the failure of hardware, software, and internet connection. Since Tradu does not control signal power, its reception or routing via the internet, configuration of your equipment or reliability of its connection, we cannot be responsible for communication failures, distortions or delays when trading via the internet. Tradu employs backup systems and contingency plans to minimise the possibility of system failure. For FX/CFDs, the latter includes allowing clients to close positions via telephone in cases where they cannot access the platform. Only Customers' requests to close positions can be accepted via telephone. Opening of new positons or modification of pending orders cannot be facilitated by Dealing at this time

CFD EXECUTION MODEL

Tradu uses a Matched Principal Trading model. This model materialises where three elements are simultaneously fulfilled:

1. The facilitator (Tradu) interposes between the buyer and seller to the transaction in such a way that it is never exposed to market risk throughout the execution of the transaction (no-risk exposition component);

2. Both sides are executed simultaneously (timing component), and

3. The transaction is concluded at a price where the facilitator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction (remuneration structure component).

In simple terms, Tradu acts as a Market Maker forming its own prices and acts as the buyer when you sell and the seller when you buy, while at the same time it hedges its risk with a third party Liquidity Provider. In this equation, the Firm is always your counterparty (you are buying/selling with the Firm as your counterparty. The Firm is not acting as your Agent in order to match your order with another individual's order, for you to transact effectively). The Firm is profiting by adding mark-up or mark-down to your transaction in the form of spread. This spread includes a mark-down on the bid price and a mark-up on the ask price which the Firm receives from our price sources. More details in relation to spread and how it is calculated are found in our **Rate Card.**

Tradu is never exposed to market risk throughout the execution of the transaction. In this vein, the Firm will never decide not to match back to back its orders and take the risk of holding the position opposite of the client. Tradu relies on third party price providers as a price reference and/or as a counterparty for the execution of the clients' orders, including Liquidity Providers and underlying exchanges. These parties may include other Tradu entities. However, in all cases Tradu is only compensated via a commission based on volume, independent of customer profit or loss as mentioned previously. The prices Tradu offers might not be the best prices available, however Tradu takes all the necessary steps to deliver the best possible result for the Clients and to ensure that the prices used are the most appropriate for the type of orders being received. The quality of price is monitored systematically.

By employing the execution model described, Tradu is acting in the best interests of the client because the incentive for the Firm to pursue its own commercial interests to the detriment of the client is almost eliminated, since the profit of the Firm is not depending on the losses of the Client. The Firm makes profit regardless of whether CFDs sold to retail clients are profitable or not as the market risk is passed on to the Liquidity Provider with whom the Firm is hedging its risk.

In order to employ the above-mentioned model, each order Tradu accepts from its clients will be automatically and immediately matched on a principal-to-principal basis with a Group Undertaking/Liquidity Provider as defined in the Terms of Business so that the Group Undertaking effectively assumes the market risk associated with each trading position of Tradu's clients. The conflict of interest that may be created from hedging with a connected party, intragroup, is effectively managed by applying this practice on an arm's length basis such that the connected party Liquidity Provider is considered alongside other third party venues and is selected because it allows the Firm to deliver the best possible result to the clients on a consistent basis.

In a volatile market, due to the speed at which prices are changing in the underlying instrument and by virtue of inevitable latency in the electronic trading system (principally between the client's internet access and our servers), the price at which we will execute may change from the quoted price a client received before the client's order instruction is received by us and/or executed by us.

SLIPPAGE

Tradu aims to provide clients with the best execution available and to get all orders filled at the requested rate. However, there are times when, due to an increase in volatility or volume, orders may be subject to slippage. Slippage most commonly occurs during news events or periods of high volatility or limited liquidity. Instances such as trade rollover (5:00 PM ET) is a known period in which the amount of liquidity tends to be limited as many liquidity providers settle transactions for that day. For more information on why rollover occurs, see the section on 'Rollover Costs'. During periods such as these, your order type, quantity demanded, and specific order instructions can have an impact on the overall execution you receive. Examples of specific order instructions include:

- **Good 'Til Cancelled ("GTC") Orders** – Your entire order will be filled at the next available price(s) at the time it is received.

- **Immediate or Cancel ("IOC") Orders** – All or part of your order will be filled at the next available price with the remaining amount cancelled should liquidity not exist to fill your order immediately.

- **Fill or Kill ("FOK") Orders** – The order must be filled in its entirety or not at all.

The volatility in the market may create conditions where orders are difficult to execute. For instance, the price you receive in the execution of your order might be many pips away from the selected or quoted price due to market movement. In this scenario, you are looking to execute at a certain price but in a split second, for example, the market may have moved significantly away from that price. Your order would then be filled at the next available price for that specific order. Sufficient liquidity may also need to exist to execute all trades at any price under certain circumstances.

Tradu provides a number of basic and advanced order types to help you mitigate execution risk such as Market, Entry, Stops or Limits. Please note when triggered, stop orders become a market order available for execution at the next available market price. Stop orders guarantee execution but do not guarantee a particular price. Therefore, stop orders may incur slippage.

LIQUIDITY

Tradu is the counterparty to all trades a client undertakes and there is no counterparty relationship created between a customer and any liquidity provider.

When trading CFDs with Tradu, Tradu is the counterparty to these transactions. Tradu therefore provides the liquidity for the instruments it extends to you while dealing as counterparty. Available liquidity is dependent on the overall market conditions, specifically based upon the underlying reference market for the instrument. As in all financial markets, some instruments within the market will have greater depth of liquidity than others. When trading instruments with less depth of liquidity, there may be concerns including but not limited to, impacting the prices at which we offer to trade with you, the inability to execute the trade due to lack of market activity, differences in the prices quoted and final execution received, delay in execution. With these considerations in mind, it is imperative you factor liquidity risk into any trading decisions. In addition, all traders are advised to consider their overall trading strategy, size of the transaction, market conditions, and order type before placing a trade.

EXOTIC CURRENCIES

At Tradu the following are considered examples of exotic currencies which may have limited liquidity:

EUR/TRY	USD/TRY	TRY/JPY
USD/ZAR	USD/MXN	ZAR/JPY
USD/CNH		

The market for these currencies is very illiquid, with liquidity being maintained and provided by one, or few external sources. These liquidity concerns include but are not limited to, the inability to exit positions based on lack of market activity, differences in the prices quoted and final execution received, or a delay in execution while a counterparty for your specific transaction is identified. With these considerations in mind it is imperative that any client factor this into any trading decision. For this reason Tradu strongly encourages all clients to utilize advanced order types to mitigate these risks.

DELAYS IN EXECUTION

A delay in execution may occur for various reasons, such as technical issues with the trader's internet connection to Tradu or a lack of available liquidity for the currency pair the client is attempting to trade. Due to inherent volatility in the markets, it is imperative that clients have a working and reliable internet connection. There are circumstances when the client's personal internet connection may not be maintaining a constant connection with the Tradu 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 Platform, causing delays in the transmission of data between the Trading Platform and the server. One way to check your internet connection with Tradu'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. The orders may be triggered but by the time orders are able to be executed, the bid/ask price may be several pips away.

For Limit Entry or Limit orders, the order would not be executed but instead reset until the order can be filled. Remember, both Limit Entry and Limit orders guarantee price but do not guarantee execution. Depending on the underlying trading strategy and the underlying market conditions, you may be more concerned with execution versus the price received.

Depending on the type of order placed, outcomes may vary. In the case of an At Market order, every attempt will be made to fill the order at the next available price in the market. In this case, 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" tab. Depending upon the order type, the position may in fact have been executed, and the delay can be 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.

HALTED PRICING

Halted pricing is a condition that can occur for a variety of reasons, such as but not limited to, new price updates being significantly different from previous pricing or too infrequent. Tradu does not intentionally halt prices; however, at times, a severe increase in the difference of the spread, a large price jump or other pricing issues could occur that require validation prior to any new price being used to calculate margin requirements or trigger pending orders. Although halted prices may not yet trigger pending orders or be displayed on the trading platform, they can be used for the execution of market orders, so Tradu suggests trading with extreme caution when pricing appears halted.

HEDGING

The ability to hedge allows you to hold both buy and sell positions in the same instrument simultaneously. You have the ability to enter the market without choosing a particular direction. Although hedging may mitigate or limit future losses, it does not prevent the account from being subject to losses altogether. For clients holding hedged positions on the Trading Station, margin is required for both sides of a hedged position. Margin requirements can be monitored at all times in the simple dealing rates window.

DIMINISHING MARGIN

A margin call may occur even when an account is fully hedged, since spreads may widen, causing the remaining margin in the account to diminish. Should the remaining margin be insufficient to maintain any open positions, the account may sustain a margin call, closing out any open positions in the account. Although maintaining a long and short position may give the client the impression that his exposure to the market's movement is limited, if insufficient available margin exists and spreads widen for any period of time, it may result in a margin call on all positions.

ROLLOVER COSTS

Rollover is the simultaneous closing and opening of a position at a particular point during the day in order to avoid the settlement and delivery of the purchased underlying instruments. This term also refers to the interest either charged or applied to a trader's account for positions held "overnight," meaning after 5:00 PM ET on Tradu's Trading Platform. The time at which positions are closed and re-opened and the rollover fee is debited or credited, is commonly referred to as Trade Rollover (TRO). It is important to note that rollover charges will be higher than rollover accruals. When all positions are hedged in an account, although the overall net position may be flat, the account can still sustain losses due to the spread at the time rollover occurs. Spreads during rollover may be wider when compared to other time periods. Please manage positions accordingly around rollover and understand the implications of spreads widening in regard to execution with existing/open positions or new positions/orders.

EXCHANGE RATE FLUCTUATIONS (PIP COSTS)

Exchange rate fluctuations, or pip costs, are defined as the value given to a pip movement for a particular currency pair. This cost is the currency amount that will be gained or lost with each pip movement of the currency pair's rate and is denominated in the same currency as the account in which the pair is being traded. On Tradu's Trading Platform, the pip cost for all currency pairs can be found on the trading ticket when entering an order, the "Per Pip" field will update in real time based the trade size you enter. When not viewing a trade ticket, the Pip Cost for any instrument can be seen below the Chart on the instrument page, and is displayed for a minimum order size.

INVERTED SPREADS

Tradu's Trading Desk may rely on various third party sources for the prices that it makes available to clients. In the event that a manifest (misquoted) price is provided to clients due to a source that we generally rely on, all trades executed on that manifest (misquoted) price may be revoked, as the manifest (misquoted) price is not representative of genuine market activity. These manifest (misquoted) prices can lead to an inversion in the spread. This may only last for a moment, but when it does, spreads become inverted. During these rare occasions, clients should avoid placing Market 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. Tradu reserves the right to reverse such trades, as they are not considered valid. By placing Market Range orders or not trading during these moments, you can avoid the risk associated with the above scenarios.

TRADING HOURS

Tradu trading hours vary by product. For Forex and Cryptocurrency - CFDs, trading opens on Sundays between 5:00 PM ET and 5:15 PM ET and closes on Fridays around 4:55 PM ET. For all other products, you can refer to the **Trading Hours Table**.

Please note that orders placed prior may be filled until 5:00 PM ET and that traders placing trades between 4:55 PM and 5:00 PM ET may be unable to cancel orders pending execution. In the event that a Market GTC Order is submitted right at market close, the possibility exists that it may not be executed until Sunday market open. Please use caution when trading around Friday's market close and factor all the information described above into any trading decision.

The open or close times may be altered. 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.

The hours for each CFD are determined by Tradu based on the schedule for trading on the exchange for the underlying market, commodity, or asset.

Tradu aims to open and close markets as close to the posted trading hours as possible; however, the lack of liquidity at or around market open and close for any CFD instrument can impede execution and price delivery. Tradu may delay market open or bring forward market close on specific instruments in an effort to protect clients from quoted prices or executions that are not representative of the true market price.

Traders are advised to use extreme caution around market open and close and to utilize Tradu's basic and advanced orders types to mitigate execution risk. Based on the illiquidity illustrated during these time periods traders using market orders can experience slippage, or gapping in prices that can have a material impact on their final execution price.

PRICES UPDATING BEFORE THEY OPEN

Shortly prior to the open, Tradu 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, you may place new trades and cancel or modify existing orders.

GAPPING

Weekend Gapping will occur as market open prices may or may not be the same as the previous weeks 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. You should be fully comfortable with the potential of the market to gap over the weekend before trading this period.

In addition to Weekend Gapping, commensurate with the opening/closing of the market for the underlying instrument, you may experience gaps daily or intra-day in market prices. Due to the volatility expressed during these time periods, trading at the open or at the close of a specific market can involve additional risk and must be factored into any trading decision. These time periods are specifically mentioned because they are associated with the lowest levels of market liquidity and can be followed by significant movements in prices for both the CFD and the underlying instrument.

WEEKEND RISK

If you 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 your trading style, you may avoid the risk by closing out orders and positions ahead of the weekend. It is imperative that you understand that the potential exists for major economic events and news announcements to affect the value of the underlying positions if held over the weekend. Given the volatility expressed in the markets it is not uncommon for prices to be a number of pips away on market open from market close. We encourage all clients consider this before making a trading decision. Tradu encourages you to take this into consideration before making a trading decision.

ORDER EXECUTION

Limit orders are often filled at the requested price or better. If the price requested (or a better price) 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 orders are filled the same way as Limit orders. Stop Entry orders are filled the same way as Stops.

MARGIN CALLS AND CLOSE OUTS

Margin calls are triggered when your usable margin falls below zero or when a trader's Equity is less than the Used Margin. When positions are over-leveraged or trading losses result in insufficient equity to maintain current open positions, a margin call results and open positions must be liquidated.

Tradu process all liquidations for CFD products automatically. Open and close times for the underlying reference market are determined by the exchange, or third party execution venue, and not by Tradu. If a client's liquidation event is triggered during the period when the underlying reference market is closed, it may be necessary for Tradu to wait until the underlying reference market re-opens before liquidation of the CFD positions can be finalized. Depending on market conditions, this could mean that the final price the client receives is a significant number of points away from the price that triggered the liquidation. If an account contains open positions for FX and CFDs at the time liquidation is triggered, it is possible that only the FX positions will be liquidated. This would only occur in situations where the underlying reference market for the CFD positions is closed. The remaining CFD positions will then be liquidated at the open of the underlying reference market.

The idea of margin trading is that your margin acts as a good faith deposit to secure the larger notional value of your position. Using more leverage can magnify your gains, but it can also magnify losses which will quickly deplete your usable margin.

The more leverage you use, the faster your losses can accumulate. The position size that you can hold in your account using leverage is determined by your account equity and the margin settings in your account. To track how close you are to the maximum position size for your account, Tradu provides real-time information on usable margin (the account equity available to take on new positions—Usbl Mr) and used margin (the account equity needed to maintain open positions—Usd Mr). Together, used margin and usable margin equal account equity.

Tradu Trading Platform has margin management capabilities, which allow for the use of leverage. Of course, trading on margin comes with risk as leverage may work against you as much as it works for you. If account equity falls below margin requirements, the Tradu 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 and the account's usable margin falls below zero, a margin call will result and all open positions will be closed out (liquidated).

Please keep in mind that when the account's usable margin falls below zero, all open positions are triggered to close. The liquidation process is designed to be entirely electronic.

Although the margin call feature is designed to close positions when account equity falls below the margin requirements, there may be instances when liquidity does not exist at the exact margin call rate. As a result, account equity can fall below margin requirements at the time orders are filled, even to the point where account equity becomes negative. This is especially true during market gaps or volatile periods. Tradu recommends that clients use Stop orders to limit downside risk in lieu of using a margin call as a final stop.

It is strongly advised that clients maintain the appropriate amount of margin in their accounts at all times. Margin requirements may be changed based on account size, simultaneous open positions, trading style, market conditions, and at the discretion of Tradu.

TIERED MARGIN

Tradu accounts are defaulted to a tiered margin system. This system is designed to allow you more time in which to manage your positions before the automatic liquidation of those positions occurs. You are able to see real-time updates of your margin status on the Tradu Trading Platform.

The tiered margin system consists of two components:

1. **Initial Entry/Maintenance Margin** – The initial good faith deposit or collateral set aside to open and then maintain a position. The exact amount of margin required to open a position can be viewed in the "Required Margin" field on a Trading Ticket or when not viewing a trade ticket, can be seen below the Chart on the instrument page in the field tilted "EMR", and is displayed for a minimum order size.

2. **Liquidation Margin (Minimum Required Margin)** – The minimum amount of equity that must be in the account in order to continue holding the current open positions on the account. This is set at half (50%) of the value of the Maintenance Margin. If the account equity falls below this level, all positions will be automatically closed. The total Liquidation Margin currently being used for open positions is referred to as Used Margin and can be found in account equity bar at the top of the trading platform, and used margin per open position can be found in the Portfolio section.

HOW IT WORKS

When you initiate a new position on the account the amount of equity in the account must exceed the Initial Entry Margin amount, otherwise the trade will automatically be deleted due to insufficient funds. Once a trade has been initiated, the equity in the account must exceed the Maintenance Margin. Should the equity in the account fall below the Maintenance Margin at any time, the account enters Margin Warning Status.

When this occurs, the Tradu Trading Platform is designed to alert you that your account equity has fallen below the Maintenance Margin requirements by the presence of a “W” (Warning) in MC (the Margin Call) field on the account equity bar at the top of the platform. This system is also designed to notify you of a margin warning via email. However, you should not rely on receiving these alerts and should monitor your account at all times.

After a warning is initiated, the account will be unable to open any new positions. To continue to be able to place new positions, you must bring account equity back above the Maintenance Margin requirement level. There are a few ways to accomplish this: 1) deposit more funds; 2) close out existing positions; or 3) experience beneficial market movements.

The “MC” value will be automatically reset to “N” (meaning that the account is no longer in margin warning status) if you deposit funds or close out existing positions to bring the account equity above the Maintenance Margin requirement level. It is important to note that deposited funds may not be instantaneously available in the account.

Should the market move in your favour and bring the account equity above the Maintenance Margin requirement level at the time of Tradu’s daily Maintenance Margin check at 5:00 PM ET, the account status will be reset to reflect that it is no longer in margin warning. In the event the account equity meets the Maintenance Margin requirement prior to the daily maintenance margin check, you may contact Tradu to have your margin warning status removed manually.

If at any time the account equity reaches or falls below the Liquidation Margin Level a margin call will occur and automatically trigger the liquidation of all open positions. The liquidation process is entirely automated, and there is no discretion on Tradu’s part as to the order in which trades are closed.

Pending Entry orders that trigger while the account is in Margin Warning will not execute and will be deleted. If the account is set to non-hedging, it is possible for a Pending Entry order to act as a Stop or Limit when the order is intended to close out any open positions. When the order’s trade size is equal to, or less than, the open position’s trade size, it will close the relevant positions, again only when the account is set to non-hedging. If the order to close is larger than the open position, the entire entry order will be deleted.

CHART PRICING VS. EXECUTABLE PRICING

It is important to make a distinction between indicative prices (displayed on charts) and executable prices. Indicative quotes are those that offer an indication of the prices in the market, and the rate at which they are changing.

Depending on the instrument, the prices on the charts display either the Tradu bid and ask prices or quotes from the underlying exchange. In some cases Tradu’s price feed is derived from a host of contributors, such as banks and clearing firms, which results in multiple levels of pricing and liquidity; therefore, the charts (which can only reflect one level of pricing) may not reflect where all of Tradu’s liquidity providers are making prices at any given time. In the event that a quote is withdrawn or liquidity is depleted at the indicative rate displayed on the chart, it is possible that executions may occur at an executable price that is different from the indicative price that appears on the chart or even at prices not included on the charts at all.

Because CFDs lack a single central exchange where all transactions are conducted, each CFD dealer may quote different prices. Therefore, any prices displayed by a third party charting provider, which does not employ Tradu’s feed, will reflect only indicative market prices and not actual dealing prices where trades will be executed by Tradu.