



MERCIA SECURITIES LTD

(formally Initial Merit Secure Ltd)

Risk Disclosure and Warning Notice

August 2026

CIF Licence No. 229/14 | Registration No. HE 291905

1. Introduction

- 1.1. This Risk Disclosure and Warning Notice (hereinafter “the Notice”) is provided to you (our Client and prospective Client) in accordance with the Investment Services and Activities and Regulated Markets Law of 2017 87(I)/2017, as subsequently amended from time to time (hereinafter “the Law”), which is applicable to the Company.
- 1.2. Mercia Securities Ltd (hereafter the “Company”) is a Cyprus Investment Firm (“CIF”), authorised and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under License Number 229/14. The Company is licensed to provide investment services, including reception and transmission of orders and execution of orders on behalf of clients, in accordance with the Investment Services and Activities and Regulated Markets Law of 2017, Law 87(I)/2017, as amended from time to time. The Company is registered in the Republic of Cyprus through the Department of Registrar of Companies and Official Receiver under Certificate of Incorporation No. HE 291905.
- 1.3. All Clients and prospective Clients should read carefully the following risk disclosures and warnings contained in this Notice before applying to the Company before entering into a business relationship with the Company and before receiving any services from the Company. This notice was designed to explain in general terms the nature of the risks involved when dealing in Financial Instruments on a fair and non-misleading basis. Furthermore, this Notice applies to the Financial Instruments and investment services offered by the Company, including fixed income instruments, new issue products, structured products, asset-backed securities, corporate bonds, Certificates of Deposit, Agency/GSE bonds, fixed-rate capital securities and other transferable securities made available to Professional Clients by default and Eligible Counterparties.
- 1.4. All Clients and prospective Clients should ensure that any decision to invest in Financial Instruments through the Company is made on an informed basis, taking into account their knowledge, experience, investment objectives, financial position, risk tolerance and ability to bear losses.

2. Charges and Taxes

- 2.1. The Provision of Services by the Company to the Client is subject to fees, which are available on the Company’s website www.imsmarkets.com . Before the

Client enters into any Transaction, it should obtain details, he should obtain details and be informed of all fees, commissions and charges for which the Client will be liable. It is the Client's responsibility to check and be updated for any changes in the charges.

- 2.2. If any charges are not expressed in monetary terms (but, for example, as a percentage or formula), the Client should ensure that he understands what such charges are likely to amount to.
- 2.3. The Client should ensure that he understands the true monetary value of the charges for any charges that are not expressed in monetary terms (e.g. as a percentage of transaction value, mark-up, mark-down, spread, custody fee, settlement fee, arranging fee, distribution fee or any other applicable cost or charge etc.).
- 2.4. The Company may amend the applicable charges at any time, according to the provisions of the Client Agreement found on the Company's website at www.merciasecurities.com.
- 2.5. There is a possibility that a transaction in any financial instrument by a Client is or becomes subject to tax and/or any other duty, depending on the tax legislation/regime applicable to each Client. The Company does not offer tax advice and does not warrant that no tax and/or any other stamp duty will be payable. The Company recommends that the Client seeks advice from a competent tax professional if the Client has any questions.
- 2.6. The Client is responsible for any taxes and/or any other duty which may accrue regarding his investment activity and should seek independent advice if necessary.
- 2.7. It is noted that taxes are subject to change and without notice, based upon the relevant tax legislations applicable in Cyprus and/or the Client's country of residence for tax purposes.
- 2.8. If required by applicable Law, the Company shall deduct at source from any payments due to the Client such amounts as are required by the tax authorities to be deducted in accordance with applicable Law.
- 2.9. It is possible that other costs, including taxes, relating to Transactions carried out in Financial Instruments through or with the assistance of the Company may arise for which the Client is liable and which are neither paid via the Company nor imposed by the Company. The Client is solely responsible for accounting for any tax due. Without derogating from this, the Client agrees that the

Company may deduct tax, as may be required by applicable law, with respect to the Client's Transactions or investment activity. The Client is aware that the Company has a right of set-off against any amounts held for the Client with respect to such tax deductions.

- 2.10. The Client acknowledges that prices, yields, spreads, valuations and execution levels in relation to Financial Instruments may be obtained from execution venues, counterparties, liquidity providers, brokers, issuers, arrangers, market data providers or other third-party sources, and may vary from prices, yields or valuations reported elsewhere. The actual execution price, yield or allocation received by the Client may differ from indicative prices or terms initially communicated to the Client, depending on market conditions, liquidity, availability, counterparty pricing, issuer allocation, settlement arrangements and the Company's Order Execution Policy.

3. Third Party Risks

3.1. It is understood that the Company will promptly place any Client money it receives into one or more segregated account(s) (denoted as 'clients' accounts') with reliable financial institutions (within or outside Cyprus or the EEA) such as a credit institution or a bank in a third country. The Company shall exercise due skill, care and diligence in the selection of the financial institution according to Applicable Regulations, it is understood that there are circumstances beyond the control of the Company and hence the Company does not accept any liability or responsibility for any resulting losses to the Client as a result of the insolvency or any other analogous proceedings or failure of the financial institution where Client money will be held.

3.2. The financial institution (of paragraph 3.1.) where Client money will be held may be within or outside Cyprus or the EEA. It is understood that the legal and regulatory regime applying to any such financial institution outside Cyprus or the EEA will be different from that of Cyprus. Hence, in the event of the insolvency or any other equivalent failure or proceeding of that person, the Client's money may be treated differently from the treatment which would apply if the money was held in a Segregated Account in Cyprus.

3.3. The financial institution to whom the Company will pass Client money may hold it in an omnibus account. In the event of the insolvency or any other analogous proceedings in relation to that financial institution, the Company may only have an unsecured claim against the financial institution on behalf of the Client, and the Client will be exposed to the risk that the money received by the Company from the financial institution is insufficient to satisfy the claims of the Client with claims in respect of the relevant account. The Company does not accept any liability or responsibility for any

resulting losses. In general, accounts held with institutions, including omnibus account(s), face various risks, including the potential risk of being treated as one (1) account in case the financial institution in which the funds are held defaults. Under such circumstances, any applicable deposit guarantee scheme may be applied without consideration of the Client as the ultimate beneficial owners of the omnibus Account. In addition, resolution measures may be taken in such a case, including the bail-in of Client funds.

3.4. The Company may deposit Client money with a depository who may have a security interest, lien or right to set-off in relation to that money.

3.5. A Bank or Broker through whom the Company deals with could have interests contrary to the Client's Interests.

4. Insolvency

4.1. The Company's insolvency or default, or the insolvency or default of any parties involved in Transactions undertaken by the Company on the Client's behalf (including without limitation brokers, execution venues and liquidity providers), may lead to positions being liquidated or closed out without the Client's consent and as result the Client may suffer losses. In the unlikely event of the Company's insolvency, segregated client funds cannot be used for reimbursement to the Company's creditors. If the Company is unable to satisfy repayment claims, eligible claimants have the right to compensation by the Investor Compensation Fund as stated below.

4.2. All Client funds are held in segregated accounts, separated from the Company's funds.

5. Investor Compensation Fund

5.1 The Company is a member of the Investor Compensation Fund ("ICF") for the Clients of Cyprus Investment Firms ("CIFs").

5.2 The ICF compensates Covered Clients for claims arising from covered services provided by its members, provided that the failure of the member to fulfil its obligations has been duly established in accordance with the Law and the Directive, irrespective of whether such obligations arise from contractual arrangements or unlawful conduct.

5.3 The ICF covers retail clients. The Company's target market comprises clients that are classified as Professional Clients by default and/or Eligible Counterparties. Accordingly, the ICF is not expected to apply to the Clients accepted by the Company.

5.4 Additional details on client eligibility are provided within the ICF Policy.

5.5 Accordingly, the Company's target market comprises clients that are generally classified as Professional Clients and/or Eligible Counterparties, and therefore the Investor Compensation Fund ("ICF") for the Clients of Cyprus Investment Firms ("CIFs") is not expected to apply to such clients.

6. Technical Risks

6.1. The Client and not the Company shall be responsible for the risks of financial losses caused by failure, malfunction, interruption, disconnection or malicious actions of information, communication, electricity, electronic or other systems, which are not the result of gross negligence or willful default of the Company.

6.2. If the Client undertakes transactions on an electronic system, he will be exposed to risks associated with the system, including the failure of hardware, software, servers, communication lines and internet failure. The result of any such failure may be that the order is either not executed according to the Client's instructions, or it is not executed at all. The Company does not accept any liability in the case of such a failure.

6.3. The Client acknowledges that the unencrypted information transmitted by e-mail is not protected from any unauthorized access.

At times of excessive deal flow the Client may have some difficulties connecting over the phone or the Company's Platform(s)/system(s), especially in fast Market (for example, when key macroeconomic indicators are released).

6.4. The Client acknowledges that the internet may be subject to events which may affect access to the Company's Website and/or the Company's trading Platform(s)/system(s), including but not limited to interruptions or transmission blackouts, software and hardware failure, internet disconnection, public electricity network failures or hacker attacks. The Company is not responsible for any damages or losses resulting from such events which are beyond its control or for any other losses, costs, liabilities, or expenses (including, without limitation, loss of profit) which may result from the Client's inability to access the Company's Website and/or Trading System or delay or failure in sending orders or Transactions.

6.5. In connection with the use of computer equipment and data and voice communication networks, the Client bears the following risks amongst others, in which cases the Company has no liability of any resulting loss caused by:

- (a) Power cut of the equipment on the side of the Client or the provider, or communication operator (including voice communication) that serves the Client;

- (b) Physical damage (or destruction) of the communication channels used to link the Client and provider (communication operator), and the trading or information server of the Client;
- (c) Outage (unacceptably low quality) of communication via the channels used by the Client, the Company, the provider, or the communication operator (including voice communication);
- (d) Wrong or inconsistent settings of the Client Terminal;
- (e) Untimely update of the Client Terminal;
- (f) When carrying out transactions via the telephone (land or cell phone lines) voice communication, the Client runs the risk of problematic dialing, when trying to reach an employee of the broker service department of the Company due to communication quality issues and communication channel loads;
- (g) The use of communication channels, hardware and software, generate the risk of non-reception of a message (including text messages) by the Client from the Company;
- (h) Trading over the phone might be impeded by overload of connection;
- (i) Malfunction or non-operability of the Platform, which also includes the Client Terminal.

6.6. The Client may suffer financial losses caused by the materialization of the above risks and shall be responsible for all related losses may suffer. The Company accepts no responsibility or liability in the case if such a risk materializing and the Client shall be responsible for all related losses may suffer.

7. Order Transmission, Market Data and Counterparty Platform Risks

7.1. The Client acknowledges that the Company may use electronic systems, market data terminals, order transmission systems, counterparty platforms, broker systems, communication channels and other technology in connection with the reception, transmission and/or execution of Client orders.

7.2. The Client may be exposed to risks arising from the failure, malfunction, delay, interruption, suspension, unavailability, cyber incident, incorrect operation or misuse

of such systems, including delays in order transmission, execution, confirmation, allocation, settlement or reporting.

7.3. Prices, yields, quotes, valuations, market data, terms and availability of Financial Instruments may be indicative, delayed, incomplete, withdrawn, amended or subject to confirmation by the relevant issuer, broker, counterparty, liquidity provider, arranger, custodian, settlement system or execution venue.

7.4. The Client acknowledges that orders may not be executed immediately or at all, and that execution may depend on market conditions, liquidity, counterparty availability, issuer allocation, settlement arrangements, minimum denomination requirements, product availability and other factors outside the Company's control.

7.5. The Client acknowledges that, where an instruction is transmitted through or to a third-party broker, counterparty, liquidity provider, custodian, settlement system or other service provider, the execution, allocation, confirmation or settlement of the relevant transaction may be subject to the systems, procedures, cut-off times, operational requirements and acceptance of such third party.

7.6. The Company shall not be liable for losses arising from failures, interruptions, inaccuracies or delays in third-party systems, communication channels, counterparty platforms, settlement systems, custody systems or market data sources, except where such losses arise as a result of the Company's fraud, willful default or gross negligence.

8. Communication between the Client and the Company

8.1. The Client shall accept the risk of any financial losses caused by the fact that the Client has received with delay, or has not received at all, any notice from the Company.

8.2. The Client acknowledges that the unencrypted information transmitted by e-mail is not protected from any unauthorized access.

8.3. The Company has no responsibility if unauthorized third persons have access to information, such as electronic communication when the above are transmitted between the Company and the Client or when using the internet or other network communication facilities, telephone, or any other electronic means.

8.4. The Company has controls and procedures in place and in order to ensure its compliance with the provisions of the European Union General Data Protection Regulation, which is in effect since May 2018.

8.5. The Client is responsible for monitoring communications received from the Company through the agreed communication channels. The Company shall not be responsible for losses arising from undelivered, delayed, blocked, filtered, unread or inaccessible communications, except where such losses arise as a result of the Company's fraud, willful default or gross negligence.

9. Force Majeure Events

9.1. In case of a Force Majeure Event the Company may not be in a position to arrange for the execution of Client Orders or fulfill its obligations under the Client agreement with the Client found at www.imsmarkets.com. As a result, the Client may suffer financial loss.

9.2. The Company will not be liable or have any responsibility for any type of loss or damage arising out of any failure, interruption, or delay in performing its obligations under this Agreement where such failure, interruption or delay is due to a Force Majeure event.

9.3. The Client shall accept the risk of financial losses.

10. Abnormal Market Conditions

10.1. The Client acknowledges that under Abnormal Market Conditions the period during which the Orders are executed may be extended or it may be impossible for Orders to be executed at declared prices or may not be executed at all.

10.2. Abnormal Market Conditions include but are not limited to times of rapid price fluctuations of the price, rises or falls in one trading session to such an extent that, under the rules of the relevant exchange, trading is suspended or restricted, or there is lack of liquidity, or this may occur at the opening of trading sessions.

11. Foreign Currency

11.1. Fluctuations in exchange rates may have a negative effect on the value, price, yield, return, settlement amount or performance of Financial Instruments denominated in a currency other than the Client's base currency or domestic currency and may lead to losses for the Client.

12. Regulatory and Legal Risk

12.1. A change in laws and regulations may materially impact a Financial Instrument and investments in a sector or market. A change in laws or regulations made by a

government or a regulatory body or a decision reached by a judicial body can increase business operational cost, lessen investment attractiveness, change the competitive landscape and as such alter the profit possibilities of an investment, this risk is unpredictable and may vary from market to market.

13. General Risk Warning for Financial Instruments Offered by the Company

The Financial Instruments offered or made available by the Company are intended for Professional Clients by default and Eligible Counterparties that possess the knowledge, experience and expertise required to understand and assess their features and risks. The risk profile of such Financial Instruments may vary depending on the issuer, structure, maturity, currency, liquidity, market conditions, credit quality, settlement arrangements and the specific terms of the product.

The Company may provide reception, transmission and/or execution services in relation to Financial Instruments including Agency/GSE bonds, Certificates of Deposit, corporate bonds, fixed-rate capital securities, structured products, asset-backed securities and other new issue products. For MiFID II purposes, these products generally fall within Annex I, Section C of MiFID II as transferable securities and, where applicable, money-market instruments. Certain products, such as structured products and asset-backed securities, may also be classified as complex financial instruments depending on their structure, embedded features, underlying exposure, liquidity profile and specific terms.

The value, price, yield, income, return and liquidity of Financial Instruments may fluctuate and may be affected by market conditions, issuer credit quality, interest rates, inflation, currency movements, liquidity, credit spreads, market sentiment, regulatory changes, tax treatment, settlement arrangements, counterparty risk and other factors outside the Company's control.

The Client acknowledges that it may lose some or all of the amount invested and that past performance, indicative yields, credit ratings, issuer reputation, market commentary or historical pricing should not be regarded as a guarantee of future performance.

13.1. Market Price, Yield and Volatility Risk

The value and price of Financial Instruments may fluctuate as a result of changes in market conditions, interest rates, credit spreads, issuer creditworthiness, inflation expectations, currency movements, investor demand, market liquidity, political events, economic developments, regulatory changes and other factors.

Fixed income instruments and structured products may be particularly sensitive to changes in interest rates and credit spreads. An increase in interest rates or widening of credit spreads may reduce the market value of a bond, certificate of deposit, structured product, asset-backed security or other fixed income instrument.

13.2. Liquidity Risk

Some Financial Instruments may be illiquid or may become illiquid due to market conditions, issuer-specific events, lack of demand, limited secondary market activity, minimum denomination requirements, transfer restrictions, settlement limitations or other factors. The Client may not be able to sell or exit an investment before maturity, or may only be able to do so at a significant discount to the purchase price or indicative valuation.

13.3. Interest Rate, Credit and Issuer Risk

Investments in bonds, Certificates of Deposit, fixed-rate capital securities, structured products, asset-backed securities and other fixed income instruments are subject to interest rate risk, credit risk and issuer risk.

Interest rate movements may affect the market value of fixed income instruments. Generally, rising interest rates may reduce the market value of fixed-rate instruments. The Client may also be exposed to the risk that the issuer, guarantor, deposit-taking institution, obligor or other relevant party fails to make payments of interest, principal or other amounts when due.

Credit ratings, where available, are not guarantees of credit quality and may be revised, suspended or withdrawn at any time.

13.4. New Issue Products Risk

New issue products may be subject to issuer discretion, allocation limits, oversubscription, cancellation, amendment of terms, delayed settlement, lack of immediate secondary market liquidity and limited pricing transparency. The Client may receive no allocation, a partial allocation or an allocation on terms different from those initially indicated.

13.5. Structured Products Risk

Structured products may be complex and may combine features of debt instruments, derivatives, indices, baskets, reference assets, interest rates, currencies, credit events or other underlying exposures. The return of a structured product may depend

on the performance of one or more reference assets or the occurrence or non-occurrence of specified events.

Structured products may involve the risk of partial or total loss of capital, limited liquidity, early redemption, issuer call rights, caps on return, barriers, conditional coupons, complex valuation methodology and reliance on the creditworthiness of the issuer or guarantor.

13.6. Asset-Backed Securities Risk

Asset-backed securities are subject to risks relating to the underlying pool of assets, including credit risk, prepayment risk, extension risk, interest rate risk, liquidity risk, structural subordination, servicer risk and legal or documentation risk. The performance of asset-backed securities may depend on the repayment behaviour, default rates and recoveries of the underlying obligors.

13.7. Settlement and Delivery Risk

Settlement and delivery of Financial Instruments may be subject to the rules, procedures and operational requirements of the relevant issuer, custodian, broker, settlement system, central securities depository, transfer agent or other third party. Delays, failures or restrictions in settlement or delivery may result in losses, delayed access to securities or cash, or inability to complete a transaction.

13.8. Execution Price and Allocation Risk

The price, yield, allocation or terms ultimately obtained for a Client may differ from any indicative price, yield, quote or terms initially communicated. This may occur due to market movements, liquidity, counterparty pricing, oversubscription, new issue allocation limits, issuer discretion, execution timing, settlement constraints or changes in market conditions before execution or allocation is confirmed.

14. Advice, Research and Recommendations

When placing Orders with the Company, the Company will not advise the Client about the merits of a particular Transaction or provide investment advice, unless expressly agreed otherwise in writing and permitted under the Company's licence and internal policies. The Client acknowledges that the Services do not include the provision of investment advice in Financial Instruments. The Client alone will enter into Transactions and take relevant decisions based on its own judgement. In asking the Company to enter into any Transaction, the Client is solely responsible for making its own independent appraisal and investigation into the risks, characteristics and merits of the Transaction. The Client shall have sufficient knowledge, market sophistication,

professional advice and experience to make its own evaluation of the merits and risks of any Transaction. The Company gives no guarantee as to the suitability of the Financial Instruments made available through the Company and assumes no fiduciary duty in its relations with the Client.

14.1. The Company will not be under any duty to provide the Client with any legal, tax or other advice relating to any Transaction. The Client should seek independent expert advice if it has any doubt as to whether it may incur any tax liabilities. The Client is hereby warned that tax laws are subject to change from time to time.

14.2. The Company may, from time to time and at its discretion, provide the Client, including through newsletters, its Website, electronic communication or other agreed communication channels, with general information, research, analysis, news, market commentary or other information. Where it does so:

- a) the Company will not be responsible for such information, except where required under applicable Law;
- b) the Company gives no representation, warranty or guarantee as to the accuracy, correctness or completeness of such information or as to the tax or legal consequences of any related Transaction;
- c) this information is provided solely to enable the Client to make its own investment decisions and does not amount to investment advice, a personal recommendation, or an unsolicited financial promotion to the Client;
- d) if the document contains a restriction on the person or category of persons for whom that document is intended or to whom it is distributed, the Client agrees that it will not pass it on to any such person or category of persons;
- e) the Client accepts that, prior to dispatch, the Company may have acted upon such information or made use of the information on which it is based. The Company does not make representations as to the time of receipt by the Client and cannot guarantee that the Client will receive such information at the same time as other clients.

14.3. It is understood that market commentary, research, analysis, news or other information provided or made available by the Company is subject to change and may be withdrawn at any time without notice.

15. No Guarantees of Profit

15.1. The Company provides no guarantee of profit and no guarantee that losses will be avoided when the Client invests in or enters into Transactions in Financial Instruments. The Company does not guarantee the future performance of the Client's portfolio, account, Transactions or Financial Instruments, nor does it promise any specific level of performance or that the Client's investment decisions or strategies will be successful or profitable. The Client confirms that it has received no such guarantees from the Company or from any of its representatives. The Client is aware of the risks inherent in investing in Financial Instruments and confirms that it is financially able to bear such risks and withstand any losses incurred. The Client acknowledges and accepts that there may be additional risks apart from those mentioned above.

16. Amendment of the Policy and Additional Information

16.1 The Company reserves the right to review and amend this Policy and its arrangements whenever it deems appropriate in accordance with the terms of the Client Agreement.

16.2 Clients should note that the Company will only provide separate notification in the case of material change to the Policy. Clients are therefore advised to consult the Company's website periodically to ensure they have access to the most up-to-date version of the Policy.

16.3 Should you require any further information and/or have any questions about this policy please direct your request and/or questions to: info@merciasecurities.com