

# Risk Disclosure of ayondo portfolio management GmbH

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Dear Client,

for every investment, it is important to understand the product and its risks. This is the only way to make a well thought-out decision possible.

With regards to the social trading product offered by ayondo portfolio management GmbH (hereinafter "ayondo"), it is necessary to understand both the business model of ayondo portfolio management GmbH and the financial instruments used. The following explanations are provided for this purpose.

## 1 GENERAL INFORMATION ABOUT THE BUSINESS MODEL OF AYONDO PORTFOLIO MANAGEMENT GMBH

ayondo offers so-called social trading as a service. In general, social trading means that the user is supported in his investment decisions by a social network. Regarding the social trading offered by ayondo this is done by using a web-based software called ayondo auto execution, which ayondo makes available to users. This software can be tried and used in the context of a demo account without the use of real money. These risk statements only concern the use of the software for the trading of CFDs with real money.

## 1.1 SOCIAL NETWORK: TOP TRADER AND FOLLOWER

The basis for the use of ayondo auto execution is the social network on the website [www.ayondo.com](http://www.ayondo.com), which is operated by ayondo GmbH, the parent company of ayondo portfolio management GmbH. In this social network, there are signal providers (henceforth called Top Traders) and so-called followers.

Followers are users who use the software ayondo auto execution to automatically reproduce Top Traders' trades in their accounts.

Top Traders are CFD traders who publish their trades on the website [www.ayondo.com](http://www.ayondo.com). Top Traders take part in a career process in the social network of ayondo GmbH, in which they have to meet predefined success parameters (achievement of a certain minimum performance in compliance with the maximum risk) in order to be able to climb the trading career ladder. Because the next career levels can only be achieved and sustained if the success parameters of this career step are met on a permanent basis, this classification provides a first indication of the success achieved by a Top Trader in the past. Success in the past is, of course, not an indicator of future success. In addition to the classification in the current career levels, all other available information about his/her trading behaviour is displayed on the profile page of the respective Top Trader so that the user has the opportunity to obtain comprehensive information about each Top Trader.

## 1.2 AYONDO AUTO EXECUTION AS AN INTERFACE

The ayondo auto execution software can be adjusted by the follower according to his/her own preferences with regards to investment objectives as well as risk appetite. The software enables followers to automatically reproduce the trades of up to 5 Top Traders selected by them. In order to do this with real money, followers need - apart from the mentioned membership in the online community of ayondo GmbH - a brokerage account at ayondo markets Ltd., a sister company of ayondo GmbH. The ayondo auto execution software, as adjusted by the follower, is the link between the online community of ayondo GmbH and the Top Traders acting there on the one hand, and the broker ayondo markets Ltd., which holds the users' (real money) account on the other hand.

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## 1.3 BASICS AND CHARACTERISTICS OF THE SERVICE OF AYONDO

All transactions carried out in the framework of using ayondo auto execution concern the purchase or sale of CFDs (contracts for differences) or spread betting contracts. This document explains the characteristics and risks of CFDs. As the characteristics and risks of both instruments are similar, please read the explanations regarding CFDs also as a reference for characteristics and risks of spread betting contracts.

The operation of the technical interface ayondo auto execution is from a regulatory perspective to be classified as portfolio management.

In order for clients to understand both CFDs and spread betting as well as the services provided by ayondo and the risks associated with the above mentioned products, an explanation of the operation and risks of the products mentioned follows.

## 2 CFDS AS THE BASIS FOR THE SOCIAL TRADING OFFERED BY US

### 2.1 WHAT IS A CFD?

A CFD is a financial instrument in the form of a derivative. Like any derivative, a CFD is related to an underlying and derives its value from the performance of that underlying.

In general terms, a CFD is the mutual promise of two contracting parties (the client as buyer of the CFD and the broker as seller) to offset in cash the differences between the price of an underlying when opening the position and the price of the underlying when the position is closed. There is no predefined term applicable to most CFDs. This means that the CFD has theoretically and infinite term and is only terminated by a transaction opposed to the original transaction (closing transaction). Please refer to ayondo's website for information on which CFDs have a predefined term and which do not.

Therefore, CFD trading is a speculation on the development of the price of the underlying. By opening a so-called long position the trader bets on rising prices, by opening a so-called short position the trader bets on falling prices.

If, for example, the client opens a long position in the EUR / USD at a price of 1 Euro and closes this position at a price of 1.20 Euro, the broker will credit him 0.20 Euro on his trade account. If he closes the position in the above example at a price of EUR 0.80, his account will be debited accordingly with EUR 0.20. Please note that this example is for illustrative purposes only and is not entirely realistic because there is a minimum order size for each broker, which usually does not allow speculation with a value of one Euro. In addition, an example was chosen without the use of leverage, since leverage and its effect are described and explained in the following (see number 2.3). In addition, the spread and its effects are not taken into account in this example.

CFDs exist with an almost unlimited range of underlying assets. In addition to the very frequently traded CFDs on currencies, CFDs with shares or equity indices as underlyings play a major role. However, there are also CFDs related to, for example, commodities, interest-bearing securities or ETFs.

## 2.2 STRUCTURE OF CFD MARKETS

A user who is not familiar with CFDs may be subject to the misrepresentation that the CFD market functions like a stock exchange. However, this is not the case. On a stock exchange, prices are formed by supply and demand, thus by market participants indicating to the stock exchange which financial instrument is to be purchased or sold at what price. The stock market is a market in

which prices are determined according to predefined criteria on the basis of supply and demand. In addition, the traded securities are standardised, which means that the traded securities are interchangeable. If, for example, the same stock is traded on several stock exchanges, one can buy this stock at one exchange and sell it at the other.

This is not the case with CFD markets. CFDs are so-called over-the-counter (OTC) products, i.e. products which are traded exclusively on the off-exchange market. This off-exchange trade is carried out by so-called brokers, which each offer their own CFDs. Each broker "organises" its own market, which is separated from the markets of other brokers. This means that a CFD purchased at a particular broker can only be sold at this broker, even if another broker also offers CFDs with the same underlying. CFDs of different brokers are therefore not interchangeable.

This structure of the markets on which CFDs are traded clearly distinguishes CFD trading from exchange trading. These differences also have consequences with respect to the pricing mechanism. While the prices on stock exchanges, as mentioned above, are the result of supply and demand, prices for CFDs are "set" by the broker. This means that any broker can, at his discretion, decide at what price he is willing to buy or sell a particular CFD.

On the one hand, CFD prices are indirectly linked to the price of futures because all brokers ultimately form their prices on the basis of the prices of larger brokers, so-called liquidity providers, where they can hedge their own positions and these liquidity providers hedge themselves in the market for futures. This mechanism ultimately creates the anchor by which the prices for CFDs are influenced by prices for futures, and thus by prices in a liquid exchange market. On

the other hand, this feedback from the futures market does not mean that there is a fixed relationship to be adhered by the broker between the price of a futures contract and the price of the corresponding CFD. A CFD is, as described above, the individual promise between broker and client to offset the price differences in the underlying between the time of opening and the time of closing of the position. Because of this structure every broker is always free to decide at what price he is willing to buy or sell a CFD.

Since the subject of CFD trading is the compensation of realised price differences, it is absolutely indispensable for the determination of this difference that any position opened by a client is also closed by the client at some point. The closing transaction is either an offsetting trade by the client or a forced closing out by the broker, if the client does not have sufficient funds for the margin in his account (see below). In connection with the broker's right to quote prices at his discretion, the necessity of a closing transaction results in the risk that the broker may not offer the required closing transaction at all at a particular time or only at conditions unfavourable for the client. This risk particularly exists in unusual market situations in which the volatility suddenly increases sharply.

## 2.3 MARGIN AND LEVERAGE

### 2.3.1 Margin

When acquiring a CFD, it is not necessary to pay the entire value of the position (the acquired or sold CFD). Instead, it is enough to hold a fraction of the value on the brokerage account as collateral for the broker. This collateral is called "margin" and is used by the broker to cover losses potentially incurred by the client's trading. Each broker defines in its terms and conditions applicable to the trade, which re-



quirements are to be met by the margin and how much margin must be available at a given time. A sufficient amount of capital must be held in the brokerage account as margin at the time of the opening of a position and at any time until the position is closed.

During the time the position is open the required margin may change. The margin required to maintain the position will increase in the case of unrealised losses. If a client orders the broker to open a position without having sufficient funds to cover the required margin, the broker will refuse to execute the transaction.

### 2.3.2 Margin Call and the Consequences of Disregarding a Margin Call

If the client already has an open position and the required margin increases due to losses from this position, the broker will first ask the client to increase the funds used for the collateral in his account within a certain period of time (so-called margin call). If the client does not comply with this request within a certain period, the broker (in accordance with the terms and conditions customary in CFD trading) has the right to close the open position of the client even without his/her consent or against his/her will.

### 2.3.3 Leverage

Because clients do not have to pay a purchase price for the CFD but a margin, representing only a fraction of the value of the position, they can hold positions the value of which exceeds the amount of margin required several times. As a result, changes in the value of the underlying have a disproportionate effect on the client. This is called leverage effect.

The ratio between the margin used and the total value of the position is referred to as a lever. If the value of the position is 10 € and the margin used by the client to enter this position is 1 €, this is referred to as a lever of 10:1.

#### 2.3.4 Example of the Leverage Effect

Again, a simplified example is given for explanation purposes.

Let us assume that there are shares of a company called X Company and a CFD related to these shares. For the sake of simplification, we assume that each price movement of the share is reflected in the price of the CFD (as already explained above, the relationship between a CFD and its underlying is only indirect and therefore only approximately a 1:1 relationship). Let us further assume that the value of the X share at a given time is 100 and also the value of a CFD on the X share is 100. The CFD broker requires at least one tenth of the position value as a margin. If under these conditions a client trades with a lever of 10:1 and wants to open a position consisting of one X share CFD, he/she must provide 10 € as a margin in his/her account and thus holds the position of one X share CFD worth € 100.

Let us now assume that the value of the X shares and thus the corresponding CFD falls by 10% until the client closes the position by a counter transaction. At the time of the closing transaction the price of the CFD was therefore € 90. Now the price difference is settled:

Price at the opening of the position (100 €) minus the price at the time of closing (90 €) equals profit / loss (10 €).

Since the client had a long position, but the price has fallen, the client has made a loss:

$$100 \text{ €} - 90 \text{ €} = 10 \text{ €}.$$

So, with his/her € 10 stake (amount of margin) the client has suffered a loss of € 10 and thus suffered a total loss of the funds used. Thus, he/she made a 100% loss, although the price fell by only 10%. This leverage can work both against and for the clients. If the price had risen by 10% (instead of falling by 10%), then the price difference would have been € 10 in favor of the client so that the client would have doubled the funds he/she used in the transaction, i.e. made a profit of 100% of the funds used.

The leverage thus multiplies the risks as well as the opportunities of speculation. In the case of a higher lever, the leverage effect is correspondingly greater so that the effect of the multiplication of profits and losses is also correspondingly greater.

### 2.3.5 Possibility of Losses Exceeding Your Original Investment

The example in number 2.3.4 shows that risks are multiplied by the leverage effect. This situation also leads to the risk of losses exceeding the original capital invested by far in each case of CFD trading.

This can also be demonstrated by using the example shown in number 2.3.4:

In the example, it was shown that with a lever of 10:1, a 10% price movement against the client's speculation would suffice to result in a total loss. The total loss, however, is not yet the end. If the price moves in the direction opposing the client's speculation is larger, the

loss of the client will exceed his/her original investment. In the case of a price movement of 20% which is unfavourable to the client, the client will already lose twice his/her stake in our example.

In the case of a larger lever, the corresponding effects are even greater. If the client trades long with a 100:1 lever, and the price of the underlying falls by 10%, the client has made a loss ten times higher than his original investment. With respect to the above example this means that a loss of 1% in the price results in a total loss. Any loss exceeding 1% would result in a loss exceeding the total loss.

If the client goes long (leverage of 100:1) with an initial investment of € 1 in the CFD on the X share, which has a value of € 100, then a 10% loss in the CFD (The price is then 90 €) leads to a loss in the amount of 10 € for the client, although the initial investment was only 1 €.

In the case of common CFD brokers, if the loss exceeds the funds available on the account, clients must reimburse the broker for the difference. However, this is not the case with ayondo markets, because the terms and conditions of ayondo markets include a waiver of the reimbursement of losses beyond the account balance.

## 2.4 THE SPREAD AND ITS SIZE

### 2.4.1 What is Spread?

Spread means the range between the bid and ask price. It is the difference that a CFD broker charges for immediate sale (bid) and an immediate purchase (ask). If you buy a CFD on the EUR / USD with a spread of 2.9 pips and sell it at the same moment, you have a loss of 2.9 pips. The spread is an important indicator of the liquidity of an underlying. The more illiquid a product, the higher the spread the

broker requires. The more liquid the product, the smaller the spread. This can be seen very clearly when dealing with a broker which offers variable spreads. In times of low liquidity, e.g. at night, the spread is larger than at times of high liquidity. A change in the spread can reflect, among other things, the degree of liquidity. If you are dealing with a broker offering fixed spreads, you should check whether or not you can act at illiquid times or before any news is pending.

#### 2.4.2 Spread on Different Markets

Spreads of different of CFD underlyings vary considerably.

##### *2.4.2.1 Spread and Underlying*

While spreads are very small for the most important currencies (such as EUR / USD, USD / JPY) and the liquid CFDs, they can easily get large enough on illiquid CFDs to render it impossible to trade profitably on small time frames. Experienced traders know that spread costs accumulate over time, and they calculate their spreads depending on the size of the order. If, for example, the spread exceeds 20 percent of the margin, trading often makes no sense. Especially traders who trade on shorter time frames have to pay attention to the size of the spreads.

##### *2.4.2.2 Spread and Volatility of the Underlying*

Spreads also vary with respect to the volatility of the underlying. The higher the volatility, the larger the spread. The volatility reflects the market uncertainty about the future price trend. This is why brokers demand larger spreads in volatile markets than in quiet markets. The rise in volatility can be sudden (for example, new labour market data in the US) and then lead to an equally sharp rise in spreads.

ayondo markets offers both CFDs with variable and fixed spreads. Whether the spread of a particular CFD is variable or fixed can be found on the ayondo website (see the information on tradable markets and their respective conditions at <http://www.ayondo.com/en/social/top-trader/cfds/>).

### 2.4.3 Spread and Costs

In the case of CFD trading, clients generally do not pay any separately disclosed trading fees. Instead, the service providers are remunerated partly or entirely by the spread. In addition to the spread, positions held overnight may also result in financing costs. The spread can be considered as a cost factor. A cost increase not only means a cost increase, but also an increase of risks. Costs do not only increase the cost of CFD trading. They also lead to a decrease in the probability of profit and, in turn, increase the probability of losses. Each user should be aware of these basic facts.

#### *2.4.3.1 Significant and Insignificant Costs*

Significant costs lead to a significant reduction in profit opportunities. The effect of reducing the profitability is all the more severe the more often one trades at reduced profitability. Therefore, one should not trade markets where there is a significant cost burden. We strongly recommend to avoid such markets. The question now is whether or not the spread, and the increase in the spreads due to Social Trading (see chapter 2.4.4) lead to a significant cost burden in this sense. The answer depends on what is to be called significant and insignificant. The German Federal Court of Justice (Bundesgerichtshof) considers a cost burden of 11% on the capital requirement to be significant. As a guideline, the court stated that a potential limit regarding significance of costs could be 5%.

However, these guidelines of the court are based on considerations on options trading. There, the client must pay an option premium and, in addition, a commission. For futures trading and even more so for CFD trading, there are no guidelines established by the German Federal Court of Justice. ayondo markets as a broker provides an overview of the spreads charged. We would like to point out that these are only examples and that the spreads and conditions mentioned there may vary.

#### *2.4.3.2 Warning about markets with high spreads*

Caution is therefore required in highly volatile markets or those with low liquidity. There, flexible spreads can reach 5%, relative to the margin used. We recommend avoiding such markets. The cost burden caused by the wide spread is simply too great.

#### 2.4.4 Mark-up to the spreads related to ayondo auto execution

The spread, which ayondo markets charges its clients, can be checked in the current price list. The spread to be paid by clients using ayondo auto execution is higher than the spread which ayondo markets charges so called self-directed traders, i.e. traders who do not use ayondo auto execution as Top Trader or Follower.

#### 2.4.5 No Guarantee of the Size of the Spread

In normal market conditions, the spread of the underlying EUR/USD, for example, may be set at 3 pips. However, as described above, there are markets and stock market scenarios where the spread is larger than 3 pips. Brokerage firms which offer fixed spreads may stop quoting prices under such market conditions, so that the fixed spread cannot be realised. In this respect, you cannot rely on the spread even with brokers which offer fixed spreads. Moreover, in the

case of fixed spreads, the client risks that his/her order is not executed, not even on less favourable terms.

## 2.5 THE DISTRIBUTION OF THE SPREADS AND PROCEEDS FROM PROPRIETARY TRADING

### 2.5.1 The distribution of the spreads among the partners

All partners (ayondo, ayondo markets and Top Traders) are ultimately paid out of the spread. Only ayondo markets is also profiting from the respective trading profits, see also number 2.5.2.

### 2.5.2 Distribution of proceeds from proprietary trading

When brokers take the counter-position to the position of their clients (called the "B-Book", "proprietary trading", "dealing desk" or "entered in the own book"), this is speculation and the respective broker can achieve considerable income, which exceeds income from the spreads considerably.

### 2.5.3 Conflict of interest from proprietary trading

Proprietary trading is generally subject to a conflict of interest. ayondo markets is also exposed to this conflict as a broker because of the possibilities to influence the trading activity by discretionary pricing. As a result, the conflicts of interest at ayondo markets may have a theoretical effect on the clients. As already explained several times, however, ayondo has no influence on the trading signals of the Top Traders, nor on the trading decisions of ayondo markets. Therefore, the conflict of interest with respect to ayondo is at most an indirect one. Regarding ayondo markets, the conflict of interests remains theoretically relevant, however, ayondo markets is obliged to always provide the services offered with the necessary



knowledge, care and diligence in the interest of the clients and therefore must not quote unfair prices.

## 2.6 DISCLOSURE OF THE CONFLICTS OF INTEREST WITH REGARD TO THE FEE STRUCTURE

On the basis of the remuneration models described in section 2.5, the latent conflicts of interest are transparent:

### 2.6.1 Volume-based remuneration

The spread is a form of volume-based remuneration. As a result it is in the interest of all of the parties that the user performs as many trades as possible. With regard to ayondo auto execution the Top Trader is able to generate income from frequent trades. The Top Trader is paid on the basis of generated volume and therefore has a clear conflict of interest. ayondo and ayondo markets also have a conflict of interest, however they cannot influence trading decisions. As a result, the conflict of interest in this regard is of no consequence. However, the conflict of interest arises indirectly, since ayondo incentivises the Top Traders to generate a higher trading volume.

### 2.6.2 Volume effects from stop loss and take profit orders

Further, all partners have an interest in Top Traders (and thus users) setting stops as tightly as possible. Tight stops mean that there is a tendency to trade more frequently. The closer, the more frequent. This also applies to take profit orders. The more traded, the higher the profits generated from the spread. However, stop-loss and take-profit orders are important instruments of the risk management to be considered by every trader and therefore their use is without doubt reasonable. Also, frequent trading only makes

sense for Top Traders if this is for the purpose of achieving performance, since the Top Traders will otherwise have difficulties to meet the requirements of their career level, which in turn reflects its status in the social network and therefore is important for attracting followers.

## 2.7 COUNTERPARTY RISK

In addition to the described risks resulting from trading activities, CFD trading also exposes clients to the risk that their respective counterparty, i.e. his debtor, cannot fulfil the obligations which are due to them, for example because of insolvency (so-called counterparty risk). This risk exists in CFD trading both with regard to the insolvency of the broker as well as with regard to the insolvency of the bank, where the broker deposits the funds of the clients.

In the case of ayondo markets, the counterparty risk is limited insofar as ayondo markets as well as the banks where ayondo markets holds client funds are subject to the Financial Services Compensation Scheme of Great Britain (FSCS). This deposit insurance covers client deposits in the event of an insolvency of ayondo markets up to an amount of GBP 50,000 and in case of an insolvency of one of the banks of ayondo markets up to an amount of GBP 85,000. In addition to the protection provided by the FSCS ayondo markets has entered into a private insurance policy, which guarantees client deposits in the case of an insolvency of ayondo markets up to an amount of GBP 1,000,000 per client.

### 3 SPECIFIC RISKS OF AYONDO AUTO EXECUTION

#### 3.1 GENERAL RISKS ASSOCIATED WITH CFD TRADING AS THE BASIS FOR THE RISK ASSESSMENT OF AYONDO AUTO EXECUTION

First of all, it must be clear that the ayondo auto execution service refers to CFD trading. CFD trading is highly risky and can lead to a total loss. These risks must be known to everyone who deals with ayondo auto execution. They are therefore described in detail in chapter 2. The risks described there also concern the service ayondo auto execution, since only CFDs can be traded using this software.

#### 3.2 ARE THE RISKS REDUCED BY AYONDO AUTO EXECUTION

On the one hand, the risks of CFD trading as described also exist with ayondo auto execution. On the other hand, we believe that risks are actually slightly diminished by the fact that only Top Traders who meet certain performance and risk parameters can qualify for higher career levels and thereby convince followers of their abilities. But these parameters are, of course, historical data. Whether or not they can be maintained in the future is uncertain. Even though Top Traders have to qualify themselves by meeting certain criteria defined by the trading career, the use of ayondo auto execution is by no means a safe investment and still poses the risk of a total loss of the capital invested. In addition, it must be considered that it is not certain that users achieve trading results identical to those of the Top Traders which they follow (see chapter 3.3) and that ayondo auto execution contains certain risks which do not or may not occur in the same way with self-initiated CFD trading (see numbers 3.4, 3.5 and 3.6).

### 3.3 WILL USERS ACHIEVE TRADING RESULTS IDENTICAL WITH THOSE OF THE TOP TRADERS THEY CHOOSE?

It is not certain that a user will achieve the same trading results as the Top Traders he/she follows. The trading results of a user can rather deviate negatively from the trading results of the respective Top Trader. These differences may have various causes. The main reasons for possible deviations are:

- Usually, orders are generated by ayondo auto execution in accordance with the principle of proportionality (see chapter 11.2 of the “Terms and Conditions for ayondo auto execution” for a detailed description of that principle). This principle will not be applied in cases where the Follower’s order size under proportional following would not reach the minimum trade size as defined by ayondo markets. In these cases the order size will be increased to match the minimum trade size. Thereby, the Follower will bear a greater relative risk than he would have borne under application of proportional following. Furthermore, the departure from proportionality will lead to a deviation of the trading results of Top Trader and Follower.
- If a Top Trader holds positions overnight or if his/her account is debited for dividend payments, the costs arising for these reasons are not included in the performance of the respective Top Trader. Therefore, the performance data of Top Traders shown on the ayondo platform tend to create an impression more positive than it would be if all costs were considered.
- Since users reproduce the trades of the Top Traders and thus their orders are received by ayondo markets later than those of the Top Trader, the price quoted for the user and the price quoted for the Top Trader may differ (known as slippage). This

can theoretically lead to either a worse or a better price for the user compared to the price quoted for the Top Trader.

- Since the size of the positions to be opened for a follower is always determined by the ratio of the follower's account value to the value of the Top Trader's account, the software must retrieve these account data to calculate the size of the position to be opened for the follower. The funds available in these accounts, however, fluctuate due to changes resulting from open positions. Because of these fluctuations occurring in milliseconds, the ratio calculated by the software as the basis for trades of the follower is an approximation value determined on the basis of mathematical algorithms. This value is very close to the actual ratio of the variables mentioned but may not precisely equal it. This deviation also results in a deviation of the performances of the Top Trader and the follower.
- For various reasons it may happen that software generated trade signals are not executed for the user. In addition to the causes that occur in the ayondo environment, this can be because the user's account does not have sufficient funds to cover the margin required by ayondo markets. In addition, malfunctions of the software, incompatibilities of the systems used and other technical causes are conceivable.

Deviations between the performances of the user and the Top Trader can also arise from the fact that a Top Trader had open positions in his account when the Follower decided to follow him. In that case, the software will prompt the user to decide whether he wants to open similar positions, in which case the price at which that position is opened will be different for Top Trader and Follower, or

if he does not want to open similar positions, which will lead to different results as well (cf. in detail number 3.4).

### 3.4 RISKS DUE TO DIFFERENT POSITIONING OR DIFFERENT TIME POINTS OF THE ENTERING INTO POSITIONS

A risk when using ayondo auto execution results from the fact that a Top Trader, who a user wishes to follow, can have open positions in the market. If this is the case and the user activates ayondo auto execution with respect to this Top Trader, he/she is automatically asked whether or not he/she wants to open these existing positions of the Top Trader at the current market rates in order to imitate the market positioning of the Top Trader. Depending on the user's decision, one of the following two risks may arise:

If he/she decides not to reproduce the existing positions of the Top Trader, the strategy of the Top Trader is not completely adopted. Because of this, the risk management of the Top Trader may no longer fit to the other positions of the user. If, on the other hand, the user decides to enter into current positions of the Top Trader, he will not pay the same initial prices as the Top Trader, which may lead to a loss of the user while the Top Trader may make a profit with the same position opened at a different price.

### 3.5 TECHNICAL RISKS

A risk when using ayondo auto-execution is that the service does not function properly in terms of its technology. There may be software errors, the internet could go down at a crucial moment (for the user, for ayondo, for ayondo markets, for the Top Trader). That means that there could always be technical problems.

### 3.6 THE USER MUST NOT BE LULLED INTO A SENSE OF SECURITY.

There may be a special risk associated to using ayondo auto execution, namely that users could be lulled into a false sense of security if they have subscribed to ayondo auto execution. They might think that nothing can go wrong. Do not be “lulled into this false sense of security”. The risks CFD trading are inherent in the system and cannot be remedied. Users must monitor trading and all of their positions, and they alone are responsible for this.