

Terms and Conditions for ayondo auto execution

Terms and Conditions for ayondo auto execution

The following Terms and Conditions apply to the use of ayondo auto execution.

1 AYONDO AUTO EXECUTION: AN OVERVIEW

Ayondo auto execution is a software-based interface that enables the user to receive the trading decisions of top traders in real time into their own account, where they are to be executed by the broker.

Ayondo auto execution is operated by ayondo portfolio management GmbH and serves as a technical link between the online community at www.ayondo.com and the broker. Ayondo markets Limited acts as a broker in this system. The so-called top traders, who act as signal providers, are part of the online community which is administered by ayondo GmbH. The aforementioned companies ayondo portfolio management GmbH, ayondo GmbH and ayondo markets Limited are part of the same group of companies. As far as ayondo is mentioned in the following without further specification, that shall be understood to refer to ayondo portfolio management GmbH.

The software ayondo auto execution serves as a technical interface so that you as a user can reproduce the trade decisions of Top Traders. To make that possible, all Top Traders who are registered with the online community at www.ayondo.com publish their trading activity on the ayondo's website. Ayondo auto execution takes the trading information from there, converts it into signals and

routes these signals directly into your broker account. The broker then executes the signals.

As a user of ayondo auto execution, you can select the Top Traders yourself. You can also define further parameters, such as the risk parameters, the markets to be traded, a mix of up to five traders, and more.

The provision of the software ayondo auto execution in combination with the routing of the signals generated by the software is classified from a regulatory perspective as portfolio management. It is clear that this service has little to do with a standard portfolio management or asset management service. Virtually everything that is done by the asset manager on behalf of the client in a standard asset management set-up can and must be decided and configured by the user himself. It is not ayondo but the user who selects the Top Traders and monitors them, sets the risk parameters and selects the markets to be traded. If at all, one can therefore describe the service provided by ayondo as an atypical asset management service.

2 THE AYONDO CONCEPT: WHO PLAYS WHICH ROLE?

The provision of the service to the ayondo auto execution requires the interaction of four partners. In order for the service to work efficiently, the following partners must collaborate with the user:

- User and ayondo
- User and ayondo GmbH
- User and ayondo markets Limited
- User and Top Trader

The easiest way to understand this is to look at the roles of the individual partners.

2.1 WHAT ROLE DOES AYONDO PLAY?

Ayondo operates the electronic interface “ayondo auto execution”. Operating ayondo auto execution is to be seen as portfolio management from a regulatory perspective. Therefore ayondo has a licence in accordance with Sec 32 of the German banking act (KWG) to provide the service and is subject to supervision by the German authority charged with supervising banking and financial service institutions BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn, and has been assigned to the compensation scheme of securities trading firms, EdW.

2.2 WHAT ROLE DOES AYONDO GMBH PLAY

ayondo GmbH operates the website www.ayondo.com and administers the respective online community of that website. This community consists of Top Traders and Followers using the website within the framework of the website's Terms and Conditions.

2.3 WHAT IS THE ROLE OF AYONDO MARKETS LIMITED?

ayondo markets Limited (hereinafter “ayondo markets”) is what is commonly referred to as a broker. ayondo markets is the exclusive contractual partner of the user in relation to the administration of the user’s trading account and the execution of trades.

2.4 WHAT ROLE DOES THE TOP TRADER PLAY?

The Top Trader publishes his/her trading results on the ayondo platform. Using ayondo auto execution as an interface, the Top Trader's trading signals are routed directly to the user's account held with ayondo markets, where they are executed. A trading signal is a transmitted piece of information which states the type of order (e.g. market or limit order), the stop loss and profit-taking level (if applicable), the number of units and the direction (i.e. long or short), which the Top Trader uses to position him/herself in the market. How to become a Top Trader is set out in the Top Trader Terms and Conditions.

Every Top Trader has a profile-page on the ayondo platform on which he can describe his trading strategy. However, any such trading strategy is not guaranteed to be adhered to. Each Top Trader makes his/her own trading decisions which are neither influenced nor altered by ayondo. A Top Trader is completely independent. Therefore, ayondo assumes no liability to the User for the activity of Top Traders.

The user has no contract with the Top Trader. The user can select up to 5 Top Traders whom he would like to follow. It is also possible to further configure whether a particular Top Trader is to be followed only in certain markets or in all markets, and with what weight this should carry.

3 HOW DOES AYONDO AUTO EXECUTION WORK?

The auto execution technology records the Top Trader's trading signals and routes them automatically and directly as a trading signal to the user's trading account. In order to use the ayondo auto execution service it is necessary that the user subscribes to the trading signals of a Top Trader and also holds an ayondo markets broker account. The automatic routing of signals with ayondo auto execution is not guaranteed. It may happen that signals are not routed which may be due to characteristics of the software, technical problems, or incompatibility of the operating systems used by the parties. The service provided by ayondo comprises the routing of signals as far as is technically possible in the framework of the software. There is no manual intervention from ayondo.

Principally the user receives the trading signals from a Top Trader into his/her own account and can change or close the signals at any time so long as the position stays open. This means that the user has control over his/her account. The user simply makes use of the tools provided by the ayondo platform. In that respect, ayondo provides the technical infrastructure. Everything connected to the execution of the trading signals generated by the ayondo platform is not part of our service and ayondo markets is solely responsible for these matters.

4 WHAT DOES AUTO EXECUTION COST?

4.1 TWO FEE MODELS

There are two alternative fee models.

FEE MODEL 1

(remuneration on the basis of the number of signals):

To be paid to ayondo:

SIGNAL FEE

FEE MODEL 2

(remuneration on the basis of allocated capital and generated performance):

To be paid to ayondo:

TO BE PAID TO AYONDO:

PERFORMANCE FEE

In addition to the fees mentioned the user has to pay the spread. However, the spread accrues at the broker ayondo markets and is therefore mentioned here for the sake of completeness. Further details regarding the spread and its calculation can be found in the Terms and Conditions of ayondo markets (“Social Terms and Conditions”).

4.2 WHICH FEE MODEL WILL BE APPLICABLE TO THE USER?

The fee model applicable depends on the Top Trader followed. That means that if a user chooses a Top Trader, at the same time he chooses the fee model applicable to that Top Trader. Therefore, when following more than one Top Trader, it may be the case that both fee models are applicable to the user at the same time. That also means that every Top Trader is separately being accounted for.

4.3 DETAILS REGARDING FEES

4.3.1 Signal fee (fee model 1)

In the signal fee, fees are calculated on the basis of the number of routed and executed signals. The amount due per signal can be seen in the table of fees published on ayondo’s website, which shall be an integral part of these “Terms and Conditions for ayondo auto execution”.

4.3.2 Performance and management fee (fee model 2)

The performance fee is calculated in accordance with the so called high watermark method and the fee is calculated for each trading day. The management fee is calculated on the basis of allocated capital.

4.3.2.1 Performance fee

In the performance fee model, fees are calculated as a percentage of profits generated by the respective Top Trader, whereby all profits as well as losses generated by the Top Trader are being accounted for. Unrealised profits and losses are included in the computation. The computation is done taking into account previous performance fees due, but not taking into account the performance fee due on the basis of the respective computation. The highest level of profits is taken as the actual high watermark. The performance is calculated at the end of each trading day. The performance is calculated as the difference between the previous and the current high watermark. To calculate the fees due, that performance is multiplied by the currently applicable performance fee percentage.

4.3.2.2 Management fee

The currently applicable percentage of the management fee is published in the table of fees on the platform. The management fee is due daily and is calculated as follows:

Management fee = currently applicable percentage of the management fee (in %) * (UPL + (account balance/number of Top Trader in user's portfolio))

Where the terms indicated in the formula are defined as:

UPL = (Unrealised Profit/Loss) Net result in open positions initiated by the Top Trader. Positions initiated by the Top Trader but henceforth controlled by the user (e.g. by changing the Stop Loss level), are not attributed to the Top Trader.

Account balance = cash + margin (the amount is limited by the amount which the user may invest in social trading according to regulatory provisions as calculated on the basis of the suitability test)

Cash = amount of capital in the user's ayondo markets social trading account

Margin = capital allocated as margin to positions initiated by the Top Trader and currently open in the user's portfolio

4.4 PAYMENT OF FEES DUE

Please note that payment of the fees due in full to ayondo markets extinguishes your liability to pay the corresponding amount to ayondo in connection with separate services that it provides to you.

5 WHAT ARE THE DIFFERENCES BETWEEN AYONDO AUTO EXECUTION AND A STANDARD ASSET MANAGEMENT SERVICE?

The user retains the control over the trading action. Only he/she selects the Top Traders to be followed and sets the risk parameters. Also, he/she can close positions, previously initiated by ayondo auto execution on the basis of his/her settings, at any time he/she may consider adequate.

The greater extent of the user's control corresponds to a higher level of individual responsibility. Ayondo only provides the software used by the client to act. Within this framework it is the user who is responsible for organising and monitoring his/her trading action.

This means that the user has to obtain information on all aspects of trading and make his/her own decisions on that basis.

6 INVESTMENT PRINCIPLES

Only CFDs and Spread Betting are being traded by using ayondo auto execution

There are no restrictions regarding the underlying assets of the CFDs traded with ayondo auto execution except for the respective CFD having to be offered by ayondo markets for social trading.

There are no restrictions regarding the strategies to be applied.

In the standard settings the order volume is set to “proportionally follow” (also called 1 x Order volume). The system then calculates the number of units for the user so that the user’s risk in terms of his net assets is equal to the risk borne by the Top Trader (see chapter 11.2).

In addition, users can define the order volume manually up to three times of this proportional following. This method of calculating the follower’s order size on the basis of proportionality or a multiple of proportionality shall not be applicable in cases where the size of a potential order would thereby be smaller than the minimum trade size defined by ayondo markets for the respective product. In such cases the size of the order shall be increased to match the minimum trade size. Please note that the Follower’s relative risk will increase accordingly.

Realised profits shall be reinvested and shall therefore increase the amount which the user may invest in social trading according either to the result of the suitability test or designated by the user as his maximum investment.

7 MONTHLY REPORTS

Ayondo will send a monthly report outlining the development of the value of assets to the user. The user can retrieve the report in his/her account and save as required.

8 LOSS THRESHOLD REQUIRING A NOTIFICATION OF THE USER

8.1 Ayondo will notify the user if the loss in his portfolio reaches 10% by sending him a loss threshold notification.

The benchmark for the calculation of losses is the value of assets according to either the last monthly report or the last loss threshold notification, whichever is more recent. This means: if the value of assets as reported in the last monthly report was, for example, 1.000 €, we will notify the user of his losses reaching the threshold when the value of assets decreases to 900 €. With the client being notified of that loss, the value of assets reported in the loss threshold notification becomes the new benchmark for a potential future loss threshold notification until that benchmark is replaced by the value of assets indicated in a subsequent loss threshold notification or a subsequent monthly report.

- 8.2 Only orders initiated by ayondo auto execution are allowed for in calculating losses.
- 8.3 The user hereby expressly agrees that ayondo will not notify him if one or several CFDs in his portfolio suffer a loss of 10% or more.

9 WILL THE USER ACHIEVE IDENTICAL TRADING RESULTS AS THE TOP TRADERS SELECTED BY HIM?

It is not guaranteed that a user will achieve identical trading results when compared to the Top Traders whom he/she follows. The trading result of a user can deviate, and potentially negatively, from the trade result of the respective Top Trader. Details of these deviations are explained in the risk disclosure document.

10 UNDER WHAT CONDITIONS CAN AYONDO CUT THE CONNECTION BETWEEN TOP TRADER AND ME AS USERS?

Ayondo has introduced several technical measures aimed at protecting the users from unreasonable risks and losses. When these measures take effect the connection of the user to the Top Trader is automatically severed. An example of this is the individually adjustable loss protection (see clause 11.2). At this point it should be emphasised that it cannot be guaranteed that the technical measures are effective in every instance (see clause 12).

11 WHICH RISK PARAMETERS CAN BE SET?

Ayondo's risk parameters can be divided into two areas: Top Traders and users.

11.1 RISK PARAMETERS FOR TOP TRADERS

ayondo has developed the concept of "trading career" under which a Top Trader is able to attain up to five levels. Each Top Trader begins their career as a "Street Trader" (Level 1). To reach the next level he/she must fulfil the requirements of a certain set of rules in a defined period. For example, the maximum drawdown (largest drop of the capital curve) may not be greater than 25%. The same value applies to volatility. To reach the third level, a Top Trader must again fulfil the requirements of a predefined set of rules - with even stricter guidelines. To reach the highest level 5 ("Institutional Level"), a Top Trader must have traded for at least twelve months with strict adherence to the required risk and money management.

11.2 RISK PARAMETERS FOR USERS

Additionally, ayondo provides users with a capital protection function (Loss Protection). This allows users to independently set their loss level at which all positions are closed and the connection to the Top Traders is severed. Furthermore, users have the option to specify their order volume. In the standard settings the order volume is set to "proportionally follow" (also called 1 x Order volume). The system then calculates the number of units for the user so that the user's risk in terms of his net assets is equal to the risk borne by the Top Trader. In addition, users can define the order volume manually up to three times of this proportional following.

12 IS THERE A GUARANTEE THAT AYONDO AUTO EXECUTION ADHERES TO THE RISK PARAMETERS?

No. We cannot guarantee that. Adhering to the risk parameters is only possible if ayondo markets quotes a price, making it possible to close the position. In liquid markets it is highly probable that this is the case. However in exceptional situations it is simply not certain. There can always be exceptional situations which can occur without warning such that it is impossible to react. Exceptional situations may be rare but it is highly probable that an exceptional situation will occur at some point. For example, the bankruptcy of Lehman Brothers, the near-bankruptcy of many countries as a result of the financial crisis, and Swiss central bank's decision to remove a cap of the Swiss Franc etc. And in such and similar extraordinary situations, the case may be that a closure of the position is only possible at very unfavourable conditions, or is not possible at all.

However, in addition, to a lesser degree, it may well be the case in volatile markets that execution is much less favourable than expected within the context of the risk parameters. In certain situations there is a substantial slump (or climb) within the markets, for example for one currency against another. Nothing can be guaranteed in these situations. And of course there is absolutely no guarantee that past income parameters can be maintained in the future.

13 CAN AYONDO AUTO EXECUTION BE REGARDED AS BEING INVESTMENT ADVICE?

No. We do not offer or give advice. We provide a service which routes trade signals from Top Traders to the user's account. If you wish to seek advice you should consult an advisor you trust, who is willing and able to advise you, taking into account your risk preferences, previous experience and investment targets, if required. We can provide advice on setting up ayondo auto execution if the user has questions specifically relating to this.

14 OUR EXEMPTION FROM LIABILITY

- 14.1 ayondo shall be liable without limitation, in accordance with the applicable statutory provisions, for damages incurred by an injury to life, limb or health resulting from intentional or negligent breach of duty by ayondo or its legal representative or vicarious agents and/or for other damages which are caused by an intentional or grossly negligent breach of duty by ayondo or its legal representative or vicarious agents. For damages resulting from the culpable violation of essential contractual obligations by ayondo, by one of its legal representatives or vicarious agents, the liability is limited to the damage typical for the contract at hand. An essential contractual obligation within the meaning of these Terms and Conditions is an obligation which makes the performance of the contract possible in the first place and which the user legitimately trusted ayondo to comply with, because it is characteristic for the contract.
- 14.2 Insofar as a breach of duty and resulting damages are not covered by clause 14.1, the following rules shall apply.
- 14.3 ayondo is not liable for the user's losses in trading.
- 14.4 We are not liable for up-to-the-minute and correct execution of the routed signals. ayondo markets is responsible for this, if so applicable.
- 14.5 We are not liable for Acts of God. Acts of God also apply if, in the chain of orders, the internet service is lost through no fault of ayondo.

14.6 The above limitations of liability also apply in respect of liability for ayondo's employees and vicarious agents (also including the Top Traders), in particular in favour of shareholders, employees, representatives, executive bodies and their members with regards to their personal liability.

15 AMENDMENTS TO THESE TERMS AND CONDITIONS

Ayondo reserves the right to amend the provisions of these Terms and Conditions and the table of fees, which shall be an integral part of these Terms and Conditions, at any time without giving reasons subject to the following conditions:

The amended provisions will be sent to the user by e-mail no later than two weeks before they become applicable. If the User does not object to the new Terms and Conditions within two weeks after receipt of the e-mail, the new Terms and Conditions shall be deemed accepted. In the e-mail, which contains the new Terms and Conditions, ayondo shall make an express reference to the consequences of not objecting to the amendments and to the two week period in which objections can be made.

15.1 If the user objects to the new Terms and Conditions within the two week period, ayondo has the right to terminate the contract with immediate effect. The objection of the user in this respect is deemed to be an important reason which shall allow ayondo the right to terminate the contract without notice.

16 APPLICABLE LAW

These Terms and Conditions shall be governed by the laws of the Federal Republic of Germany excluding the UN purchase law. If the user has entered into this contract as a consumer and does not have his habitual residence in the Federal Republic of Germany at the time of conclusion of the contract, the application of compulsory legal provisions of the country in which he is habitually resident, shall remain unaffected by the choice of law in sentence 1 of this clause.

17 SEVERABILITY CLAUSE

Should any provision of these Terms and Conditions be or become invalid or unenforceable, the validity or enforceability of the remaining provisions shall remain unaffected. In such a case, a provision shall rather be deemed to have been agreed upon, by means of which the economic purpose intended by the invalid or unenforceable provision is reached to the greatest extent legally possible. The same shall apply to contractual loopholes.