

# Characteristics and Risks of Financial Products Offered by EBH

Registered in the Commercial Register with the Registry Agency  
of the Republic of Bulgaria under UIN 123560824

**EBH**  
EUROPEAN BROKERAGE HOUSE

## Financial Instruments and Risks

### Article 1

The financial instruments that are referred to in this document are Contracts for Difference (CFDs) with basic assets: currency pairs, indices, commodities, cryptocurrencies and other. The services for trading with these instruments are provided by EUROPEAN BROKERAGE HOUSE (EBH or the Company) as per art. 6 of the Markets in Financial Instruments Act (MFIA). The term 'CFDs' shall be used throughout the remainder of this document as an all-encompassing term for the abovementioned financial instruments. The full list and their respective specifications can be found on the company's official website (<https://ebhforex.com/trading>).

## General Provisions

### Article 2

1. The products, issued and offered by EBH, are complex financial instruments, which is why clients must familiarise themselves with this document before deciding whether to trade. This document does not provide an exhaustive list of risks. Clients should also familiarise themselves with the 'Client Agreement', the 'Order Execution Policy', as well as the Key Information Documents for each product category, available on the company's website.
2. It is highly recommended for potential clients to have experience in derivatives trading, and in particular derivatives traded on an unregulated market, and to understand and accept that CFD trading is associated with a high level of risk. EBH strongly advises its Clients to evaluate comprehensively their financial ability to engage in this activity.
3. The Clients of EBH should understand that CFDs are leveraged financial products, meaning that there is a high risk of financial loss when trading them.
4. Trading CFDs is not appropriate for everyone. Under no circumstances should a Client risk more than they are prepared to lose.
5. CFDs, issued and offered by EBH, are appropriate for professional and retail clients, or eligible counterparty.
6. The risks described in this document are generally applicable to all offered financial instruments. However, it should be pointed out that this document is not exhaustive and exclusive. In addition to the addressed risks here, every financial instrument is also subject to its unique set of risk factors, described in the Key Information Documents for each product, available on the company's website.

## Assessment of Suitability and Appropriateness

### Article 3

When opening an account at EBH, the Company conducts an assessment to ascertain that the offered

products and categories are appropriate for the registered client and categorises the Client based on a number of parameters. Although EBH shall inform the Client about the result of the assessment, this information is not meant to be the sole arbiter of the Client's decision to engage in the trading CFDs at EBH. In some cases, EBH may warn the Client that trading CFDs may not be suitable for them in their current economic situation and trading experience. In such a case, the advised Client should refrain from trading CFDs until the respective knowledge and experience have been obtained. For example, this could be achieved by trading CFDs on an EBH Demo account.

## Contracts for Difference (CFDs)

### Article 4

1. CFDs are defined as an agreement between two parties to exchange the difference between the current value of a specific asset and its value as of the moment of purchase/ sale. This is a product that allows the realisation of profit or loss due to the movement of the prices of financial instruments, without owning them. The full list of CFDs offered by EBH can be found on the company's website.
2. CFDs are derivative products traded Over-the-Counter (OTC), meaning that any transaction opened at EBH must be closed at EBH. A Client's ability to trade CFDs with EBH is entirely dependent on the Client's ability to access the trading platform and also the platform's functionality.
3. Clients understand that they will not take physical delivery of traded CFDs.
4. CFDs fluctuate in value. Their price movements are determined by a number of factors including, but not limited to, availability of market information.
5. There are no obstacles or limitations to the release of the investment in CFDs.

## Risks Regarding Prices and Costs

### Article 5

1. The prices (quotes) displayed in EBH's trading platforms are taken from third-party liquidity providers. If EBH is unable to use quotes received from its liquidity providers (for example, due to problems with the trading system or data information service) or trading with the underlying instrument is suspended, EBH may exercise its right at its discretion to determine the price at which to quote a product or suspend its trade. Due to the nature of the financial instruments and in accordance with market practice, EBH pricing will be based on market prices without any conditions, restrictions or criteria for determining quotes for the offered instruments.
2. For some CFDs, the Client may need to pay commission, as described in detail on EBH's website. This commission and fees are not included in EBH's quoted prices that are charged explicitly to the Client's trading account. For financing and overnight fees, EBH may introduce a daily financing fee known as a 'Swap' for some types of CFDs over the course of the trade. These 'Swaps' are based on market interest rates. More information on these 'Swaps' can be found on EBH's website. A Swap shall be accrued at 23:59:59 server time for each day and each specific instrument with an open position. Since the position shall be transferred for the next working day, and the Forex markets do not work during

weekends, then the swap for the open positions held on Wednesday to Thursday, shall be accrued at three times the regular amount.

3. Clients should not fund their trading account with borrowed money, including bank loans, as this would significantly increase the risk involved. Any losses incurred would have to be paid back to EBH with additional interest and fees accrued, in most instances. When trading with EBH, Clients understand that they should never put themselves in a position where they have to rely on making a profit.
4. As a result of trading CFDs, the Client may take financial liabilities and other additional liabilities, including tax liabilities in the jurisdiction of his residence, in addition to the costs for trading with instruments.

## Risks Concerning Market Conditions, Margin, Leverage and Stop-Out Level

### Article 6

1. When trading CFDs at EBH, Clients use leverage to open trades at a fraction of their true value, meaning any profit made can be many times greater. However, Clients understand that leverage can also lead to more significant losses, including loss of the total amount of the invested capital.
2. At all times, the Client must have sufficient funds available to provide coverage of the required margin for the open positions. In the event of a shortage of available funds to cover the required margin on open positions, EBH may close one or more open positions on the client's account (stop out). The client must independently monitor compliance with the requirements for a margin call. Minimum margin requirements may change in line with market movements and the instrument concerned. An updated list of margin requirements for each CFDs instrument offered by EBH is accessible on the Company's website, in the 'Instruments' section.
3. The financial instruments issued and offered by EBH, as well as the markets in which financial instruments are traded, are highly speculative and highly volatile. Market risk is the risk of a client's investment being reduced. Financial markets are changing extremely rapidly, with prices for underlying instruments dependent on a number of factors, such as commodity prices or index levels, exchange rates, interest rates, demand and supply, central bank monetary policy, the economic and market environment, as well as the actions of government bodies or governments. Clients can reduce market risk by deepening their knowledge of relevant financial instruments and markets, and closely monitoring their positions to prevent unacceptable losses.
4. Financial markets can and do fluctuate significantly to take into account various market realities that are beyond the control of EBH and the Clients of EBH. When this happens, prices become volatile and can cause market 'gaps'. This means that there are sudden and significant price changes and this could be caused by expected, or indeed unexpected, economic events/announcements. Therefore, the Client understands that EBH may not always be able to execute a Client's requested trade at the price specified in the execution instructions as per 'Order Execution Policy', published on EBH's website.
5. Market turmoil may affect a financial instrument. Often, such events lead to trading interruptions, "blocking" the source of quotes (liquidity provider, etc.), notifications from a regulatory authority an-

nouncing an emergency with a particular underlying instrument. In the event of market turmoil, the Client may not be able to open/ close a position in a relevant instrument, which may result in a loss or missed profit. The reason for the trading interruption could be the failure of the e-commerce computer system or the suspension of the financial instrument by a liquidity provider.

6. When trading in the underlying instrument is suspended, interrupted or discontinued, it will affect trading in the derivative product offered by EBH and its trading may also be suspended, interrupted or discontinued. In these cases, EBH will not be able to offer its derivative product to its clients and will not allow new positions to be opened. In this situation, clients who have already opened positions in this product may not be able to close them, which could lead to potential losses for the client.
7. When trading with the underlying instrument is suspended, interrupted or discontinued, with respect to clients' open positions, some or a combination of the following actions may be taken, at the discretion of EBH:
  - 7.1. Closing open positions in the instrument concerned;
  - 7.2. Increasing the margin requirement for the instrument or product concerned to 100%;
  - 7.3. Using the last available price at which the instrument was traded to determine the margin requirement and the fees owed by the client.

## Risks Regarding Holding CFDs in Omnibus Accounts

### Article 7

1. In the cases when EBH accepts and transmits client orders of financial instruments offered by its liquidity providers, the financial instruments of its clients may be kept in omnibus accounts opened with liquidity providers in or outside the European Union and the European Economic Area.
2. When keeping financial instruments of clients in omnibus account with liquidity accounts, EBH undertakes all possible necessary measures to limit the risks that may occur for its clients.
3. EBH identifies the following risks regarding holding clients' instruments in omnibus accounts:
  - 3.1. Risk connected with the requirements for margin of omnibus account opened at the liquidity providers of EBH. Apart from the hypothesis under art. 6 for the requirements of margin of the client account (since the client accounts are subaccounts of the omnibus account of EBH, holding financial instruments of all clients of EBH), not enough margin in the omnibus account may lead to margin stop-out for the financial instruments of all clients of the Company, regardless of the fact if the margin requirements have been met for some or all subaccounts in the omnibus account;
  - 3.2. Risk connected with the possible opening of insolvency proceedings against the liquidity providers of EBH;
  - 3.3. Regulatory risk connected with the eventual amendments in the applicable regulatory framework.

4. EBH shall undertake the following actions, aiming at minimising the risks under point 3 above:
  - 4.1. EBH shall conduct continuous monitoring of omnibus accounts, maintain high liquidity in compliance with the requirements of Ordinance № 50 and Regulation (EU) 575/2013, and shall undertake all possible actions in the shortest terms to secure the necessary measures to meet the margin requirements of omnibus accounts. Aiming at enabling higher level of protection for its clients, EBH has concluded credit line agreements with some of its liquidity providers, which offer such a service;
  - 4.2. As far as possible, EBH monitors the market reputation of the respective liquidity provider to minimise the risk of a loss or decrease of the clients' assets, resulting from factors such as fraud, pure management, inappropriate reporting, etc.;
  - 4.3. When selecting a liquidity provider with whom EBH has agreed to open and maintain an omnibus account, in which the financial instruments of clients shall be held, EBH shall take due care and meet the requirements of the applicable legislation and best market practices. When agreeing to opening an omnibus account for holding the financial instruments of its clients, EBH shall take into consideration the legal framework and the established market practices in the jurisdiction, where the respective liquidity provider does business, which is connected with holding assets and may affect the rights of EBH clients. The Company shall regularly review the regulatory framework, the news regarding legislation changes in the respective jurisdiction and the expectation for changes in the regulatory framework aiming at limiting the respective risks.
5. EBH clients shall have in mind that when their financial instruments have been held by a third party, EBH is responsible for the actions and inactions of the respective liquidity provider – third party according to the legal acts of the applicable legislation.

## Foreign Exchange and Related Risks

### Article 8

1. When trading a financial product that is denominated in a currency other than that of a Client's trading account, the Client will be affected by foreign exchange rates. Currency conversions are conducted by EBH in the currency the Client account is denominated and the currency of the relevant CFD using the cross spot rate.
2. In addition, the conversion process may lead to an increase in currency risk between the time of the transaction and the moment at which it is closed. Foreign exchange markets can change very quickly, and this puts the Client's account at risk in the event of more severe currency fluctuations and this may affect the outcome of trading with the relevant financial instrument.

## Credit Risk

### Article 9

When trading CFDs, the Client actively makes transactions Over-the-Counter (OTC). This means that each

position opened at EBH cannot be closed at another broker. OTC transactions may include greater risk compared to the transactions at regulated markets, such as the traditional stock exchange. This is because OTC transactions do not have a central counterparty and each party in the transactions carries a specific credit risk (default risk), and namely the Client intention to close a position may not correspond to the liquidity or market price of the underlying instrument at that time, i.e. a position may be closed or the Client's order may be executed at a price significantly different from the one indicated (including slippage), or it may be possible that the position cannot be closed at the moment the Client wants to do so.

## Counterparty Risk

### Article 10

EBH is the Client's counterparty (counterparty to the transactions). The counterparty risk is the risk that the CFD issuer (i.e. your counterparty) may fail to meet or be unable to meet its financial obligations. If the Client's funds are not properly separated from the funds of the CFD issuer and the company has financial difficulties, then there is a risk that the Client will not be able to recover his money and incur a loss. In the event that EBH becomes insolvent, the assets of retail clients are guaranteed and indemnified by the Investor Compensation Fund, up to 90% of the receivable value, but not exceeding BGN 40,000 or their currency equivalent.

## Conflict of Interest

### Article 11

1. Trading in products offered by EBH carries the risk of a conflict of interest, as EBH is your counterparty, acts as the issuer of the products it offers for trading, and determines their price.
2. The policy of EBH, as the issuer of the offered financial instruments, is that EBH provides only the price of the product (quote) and does not act as an intermediary to the client in the transaction. The client can reduce the risk of unfavourable or opaque pricing by monitoring the pricing of EBH and that of the market where the underlying asset of the respective financial instrument is traded.

## Regulatory Risk

### Article 12

1. A client may suffer losses caused by actions taken by a regulatory body that are beyond the control of EBH. For example, actions taken by a regulatory authority exercising its powers during a market emergency could result in losses to the Client due to the effect of those actions on the underlying financial instrument and thus on the terms of the CFDs issued by EBH. The regulatory body may, in extreme situations, suspend trading or change the value/ price at which a transaction/ position is executed or established, which will affect the price/ value of a underlying instrument, thereby affecting the value of the product of EBH.
2. The Client acknowledges that their capacity to trade CFDs could be affected by legal, regulatory, tax interest and/or other affairs.

## Technical Risks

### Article 13

1. Although EBH endeavours to convey prices (quotes) continuously to its Clients, there are situations when this may not be possible. For example, situations concerning poor internet connectivity, computer system errors and outages, extreme volatility and/or low liquidity and/or other factors. There are also other factors that could have an effect on the price of the underlying instruments/products from which the Company discerns its prices. Such factors could indeed cause prices to change from the moment a trade is placed, and the moment it is received by EBH.
2. Additionally, there is a risk associated with the devices used by the Client and the quality of the Internet connection. This risk, in addition to good internet connectivity, also includes the stability and reliability of the Client's device, their computer or other mobile device through which they have access to the Internet and to the trading platforms. EBH is not responsible for any losses due to delays, errors, technical malfunctions of the hardware or software products or systems used by the Client, or failure in operational processes beyond the control of EBH, causing damage or instability of the platform used by the Client due to causes on the device through which the Client operates on trading platforms.

## Final Provisions

1. This document is part of the internal rules of EBH.
2. This document has been approved by the decision of the managers of EUROPEAN BROKERAGE HOUSE of 15.05.2020.





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