Lightyear Europe AS

Risk Disclosure

Version 2.1

This applies from 11.07.2023.

1. Background

Lightyear Europe AS is a private limited company incorporated in Estonia (company number 16235024) with its registered address at Tallinn, Volta tn 1, Estonia ("**we**", "**us**", "**our**" or "**Lightyear**") and is authorised and regulated by the Estonian Financial Supervision Authority ("**EFSA**") as an investment firm.

Unless specified otherwise, all definitions are adopted from the Lightyear Europe AS Terms of Service, which are available in Lightyear App and our website here: https://golightyear.com/eu/documents.

Lightyear provides investment services to its customers (the "**Customers**", "**you**" or "**your**") by executing Orders or transmitting Orders to a Third Party Broker for execution (or onward transmission for execution).

2. Purpose

We have provided Customers and potential Customers with a general description of the nature and risks of Instruments.

It is very important you understand the relevant risks before you invest in any Instruments and place any Orders via the Lightyear App. You should refrain from placing such Orders unless you fully understand all such risks and have independently determined that a Transaction is appropriate for you. You may wish to seek advice from independent professional accounting, financial, investment, legal, regulatory, tax, and / or other advisors before placing an Order.

This risk disclosure does not intend to disclose all risks or other considerations relevant to your Order. Rather, it contains a general description of the nature and typical risks of Instruments which you find when placing an Order via the Lightyear App, but is by no means exhaustive.

The below summarises the key general risks in respect of the Instruments. More detailed risk disclosure in respect of each specific Instrument may be found in any associated product documentation, such as prospectuses, term sheets, offering circulars or memoranda, brochures, instrument documentation and terms, and key information documents and guides.

It is important that you read in full all relevant documentation provided by Lightyear so that you understand how the relevant financial instrument works and the full risk profile of the transaction and, therefore, are able to decide whether or not you are prepared to accept the risks and the possible consequences of investing in the Instrument before proceeding with your investment.

You should be aware that all trading in financial instruments contains an element of risk. The value of your investments can go down as well as up, so you could get back less than you invested, or in some cases, you may lose your entire investment. Past performance also is not an indication of future performance for an Instrument.

Before buying or selling any Instruments, you should ensure that you have adequate financial resources and the ability to bear losses which may arise as a result. You should not rely on being able to generate profits for any purpose (such as the repayment of debts) and should not enter into any borrowing arrangements to fund your purchases of any Instruments via the Lightyear App.

3. No Advice

We provide a non-advised order transmission and execution service in shares and other Instruments. This means we will (subject to our Lightyear Europe AS Terms of Service) execute your Orders without investigating or advising on the suitability or otherwise of the investment or your Orders.

As we do not provide or offer any investment or other advice, including advice on the suitability of any particular investment or investment strategy you do not benefit from the protection of relevant rules on assessing suitability.

We may from time to time publish general or specific information or commentary on the Lightyear App, our website, in the general press, through communications with you, or otherwise. You agree this information is not, and should not be interpreted as, advice, and any decision to submit Orders is made solely by you.

When you provide an Order to us through the Lightyear App, we will assume that you have considered the risks associated with any particular Instrument and deem it suitable or appropriate for your individual circumstances or needs. We also assume you have taken independent professional advice where necessary.

You agree that by using the Lightyear App, you are responsible for your own investment decisions and have sufficient knowledge and experience to make those decisions, understanding the risks associated with making investments and have taken professional advice where appropriate to make those decisions.

You agree that neither Lightyear, nor its staff will have any liability of whatever nature arising from any loss arising from your investment that you make through the Lightyear App.

4. General risks of investing

Risk of investing in shares

Share Instruments represent ownership in a company. You may benefit from rights associated with being a shareholder of a company. Value of a share might appreciate, shareholders might receive dividends or similar accruals, etc., although none of this is guaranteed. Shares in a company can also decrease in value or become valueless in case of an insolvency. Shareholders are usually the last ones to receive payments from an insolvency, if any payments shall be received at all. Therefore, it is important to understand that by investing in a company's shares you are subject to concentrated risk relating to that company.

Risks of investing fractional shares

Fractional shares constitute a fraction of a single share in a company. This means that fractional shares are subject to the same risks as shares. In addition to that, certain ownership rights regarding fractional shares can be subject to a rounding risk (see below for further details on rounding risk). Fractional shares represent claims on the custodian who has undertaken the fractionalisation of the fractional shares. As such, fractional shares are not generally transferrable and in order to realise any value they represent you are obliged to sell them through the Lightyear app.

Risk of investing in exchange traded products

Exchange traded products ("ETP"), such as exchange traded funds ("ETFs") or exchange traded commodities ("ETCs") usually hold a diversified pool of assets (but not always), such as shares, bonds or commodities. Generally, they track the performance of a benchmark or financial index and the value of the ETP will move accordingly.

ETP's are subject to the same risks as underlying assets and therefore can be subject to market risk and also other risks described below. For example, if an ETF consists of shares in companies that all operate in the same industry, the ETF shall have similar risks as that industry. Economical contraction in the mentioned industry can therefore bring out a sharp decline in the ETF's market capitalisation and value. Similarly, for example ETCs that are based on precious metals are affected by risks subject to those precious metals.

ETPs attempt to track a benchmark but due to a number of factors (such as fees, transaction costs or sampling error) they usually deviate to some extent from this benchmark. When investing in ETPs there can be no guarantee that you will receive the performance of that benchmark.

Risk of investing in depositary receipts

Depositary receipt Instruments allow you to hold shares in a foreign public company. By holding a depositary receipt, you do not hold a share in a company but a receipt issued by a local financial institution who through foreign custodian holds the shares. Such depositary receipts are subject to the same risks as shares but can have an increased amount of political and legal/regulatory risks associated with it, subject to foreign company's legal and political environment.

Risk of investing in money-market funds

Money-market funds ("MMFs") allow you to invest money in cash or cash equivalents, such as short term loans to different governments that pay a fixed rate of interest. Such loans are generally not longer than six months but in certain circumstances may be as long as one year as well. MMFs are generally subject to interest rate risk (interest rate fluctuations affect the instruments that the MMF invests in and therefore also the value of MMF units), counterparty risk (insolvency of any institutions providing services such as safekeeping of assets or other, may expose MMF to financial loss) and credit risk (the issuer of the assets held within the fund may not pay income or repay capital to the MMF when due).

5. Risk factors

The following risk factors should be taken into account before placing an Order:

Insolvency Risk

Where you have invested in an Instrument issued or related to a certain entity, the insolvency of that entity will likely expose you to financial loss.

Instruments such as ordinary shares in respect of an issuer will typically rank the lowest of all credit obligations owed by that issuer. As a result, you will be at risk of losing all of your initial investment should the issuer become insolvent.

Where the Third Party Broker, Third Party Partner and/or Custodian begins insolvency proceedings, this may result in your Positions being liquidated without your consent or them being transferred to another broker or custodian. In this case, we will provide you with information relating to the treatment of your Positions but there is a risk that you could lose value in your investments.

Political Risk

Political or economic stability of an Instrument issuer's country of registration or establishment can affect that Instrument, including its value, associated legal rights or other properties. For example, sudden and/or radical changes in the legislative or economic environment, social or political crisis are considered to be political risks. Materialisation of political risks can cause you to lose partially or entirely investments made in Instruments that are affected by such risks.

Market Risk

The value of a particular Instrument may fluctuate according to changes in the market within which the Instrument is situated. Market events, investor perception, and the ability to deal in the relevant Instrument may create a positive or negative impact on the investment's price. For example, securities listed in the US may be subject to market trends located in the US, and may therefore be unfamiliar or unforeseen by you.

In times of market volatility, the price of an Instrument may change significantly and unexpectedly and it may become more difficult to purchase or sell and / or you may see the price of an Instrument increase or decrease when executed compared to the price quoted at the time an Order was submitted.

You have sole responsibility for monitoring the value of your Positions and should check the Lightyear App regularly on an ongoing basis to monitor your Positions.

Liquidity Risk

The liquidity of an Instrument is directly affected by the supply and demand for that Instrument and also indirectly by other factors, including market disruptions (for example a disruption on the relevant exchange) or infrastructure issues, such as a lack of sophistication or disruption in the securities settlement process. Under certain trading conditions it may be difficult or impossible to liquidate or acquire a Position. This may occur, for example, at times of rapid price movement if the price rises or falls to such an extent that under the rules of the relevant exchange trading is suspended or restricted.

In normal circumstances, fractions of shares should have the same liquidity as that of the associated whole share. However, in times of market stress this may not be the case and fractions of shares may be less liquid than the corresponding whole share.

If you decide to close your Account:

- all Positions shall be sold which may result in commission being charged; and
- you cannot transfer Positions to any other broker (in relation to both fractional shares and "full" shares), except where the Third Party Broker, Third Party Partner and/or Custodian has become insolvent and such transfer is being allowed in the insolvency proceedings.

Inflation Risk

Inflation is a measure of the rate of rising goods and services in an economy. Increases in inflation are typical in most markets, however the rate of increase may have detrimental effects on your investment. Inflation rates may accelerate due to a number of factors, such as changes in production costs, availability of raw materials, and the average price of employee wages. A rising rate in inflation may reduce the real value of an investment over time. The rate of return on a particular Instrument may become lower than the rate of inflation, leading to losses that you would otherwise not have incurred had they invested in another Instrument whose value kept pace with the rate in inflation.

Instrument rights-related Risk

Certain Instruments may give the holder rights, for example, to vote at an annual general meeting or receive a dividend payment from the issuer. These rights may be subject to change and you should not assume you will be able to exercise these rights. The payment of a dividend is subject to certain conditions, such as the availability of distributable profits by the issuer, and therefore cannot be guaranteed.

Securities' safekeeping/Custodian Risk

We undertake a process of thorough due diligence when selecting parties that will provide Instruments' custody, registration and/or settlement services to our Customers. Nonetheless, the effectiveness of the separation of the Instruments of the Customers kept on omnibus or nominee accounts in the Custodian from the Instruments and other assets of the Custodian may not, due to deficiencies in legal regulation and/or absence of a respective court practice, be effectively implemented in certain states or regions in the event of a possible bankruptcy of the Custodian. Proceeding from the above, there is a risk that in the event of bankruptcy of the Custodian the Customer will suffer losses due to a loss or withholding of the Instruments kept on the omnibus or nominee accounts opened in the relevant Custodian.

Operational Risk

Operational risk, such as breakdowns or malfunctioning of essential systems and controls, including IT systems, can impact on all financial products. Business risk, especially the risk that the business is run incompetently or poorly, could also impact on investors in such a business. Personnel and organisational changes can severely affect such risks and, in general, operational risk may not be apparent from outside the organisation. Such operational risks can materialise for both Lightyear and business partners of Lightyear.

Currency Risk

In respect of any foreign exchange transactions in securities that are denominated in a foreign currency, a movement in exchange rates may have a favourable or an unfavourable effect on the gain or loss connected to your trading in such instruments.

Fraud Risk

Whilst many markets and jurisdictions impose and maintain robust anti-fraud, anti-bribery and anti-corruption regimes and controls, fraud and financial crime continues to exist in many new and innovative guises. Serious organised and highly sophisticated criminals may impersonate financial counterparties or their products, promoting the investment in that product and potentially leading to the complete loss associated with an investment. In severe cases, fraud risk may also result in a loss of data, whether personal or otherwise. It cannot always be guaranteed that losses arising as a result of fraudulent activity will be recoverable.

Third Party Risk

In respect of certain Instruments, the settlement, perfection, transfer, or realisation of that Instrument may depend on or require some action, performance or consent from a third party. For example, trustees, custodians, agents, clearing houses and exchanges may need to take some action in order for an investment to settle or for the legal right of ownership to change. As such, you shall remain subject to the risks of a failure by the relevant third party to act as required or in a timely manner.

Legal and Regulatory Risk

Instruments may be exposed to actions, changes, or developments of the law or regulation. If there is a change in law which affects an Instrument, or the manner in which it is traded or held, additional costs might be incurred or, in extreme circumstances, the Instrument may be lost. Legal changes could even result in a previously lawful and acceptable Instrument becoming unlawful.

Developments in the legal and regulatory sphere within which investors and / or issuers operate may lead to a change in the rights, obligations, remedies, and judicial (or quasi-judicial) processes available to investors in connection with an Instrument. Conflicting rules and ambiguities may lead to a higher degree of uncertainty with regards to an investor's legal position under a particular security and its ability to enforce any rights it is entitled to under that jurisdiction's legal system.

Tax Risk

A change in tax law to impose a new tax or amend an existing tax on the transfer or holding of an Instrument could result in costs being incurred when selling the Instrument and could have a significant impact on that investment's profitability. In some jurisdictions, the tax treatment of particular Instruments, issuers or investors can be highly complex and subject to increased volatility and change. As a result, there may be a high degree of uncertainty and unpredictability in respect of the tax position of a particular Instrument, or whether it is even possible or practicable to reclaim a tax return on an investment you are legally entitled to.

Your own tax position will depend on your personal tax status and the tax rules which apply specifically to you. You shall be solely responsible for determining the tax impact of your trading and should consult a tax professional if you are unsure and / or have any questions. As mentioned above in section 3, we do not provide any tax advice.

Rounding Risk

In connection to a corporate action, including but not limited to dividend, interest payments, splits and reverse splits of Instruments, etc., the amount of Instruments or money provided to you may be rounded down and therefore reduced due to rounding principles. Details on Instrument or money rounding depend on the number of Instruments currently held by you, conditions laid out in corporate actions, international practices and other details.

Exchange Risk

In respect of securities that are listed or traded on a public exchange, the ability to deal in those securities will be subject to the terms, conditions, rules, and procedures applicable to that exchange or clearing house.

In certain circumstances, it may be more difficult to acquire or sell an Instrument as a result of changes or decisions at the exchange level. For example, at times of rapid volatility and price movements, the relevant exchange may take the decision to temporarily block, restrict, or suspend dealings in that product. This may result in you being unable to liquidate your Position at a particular time and for a particular price, or alternatively make it difficult or impossible to acquire an Instrument.

Counterparty and Credit Risk

Counterparty or credit risk arises if a party connected to certain Instruments is unable to meet its obligations. Credit risk may for example occur when a party who issued the assets (such as MMFs) defaults on its obligations to make the contractual payments. Counterparty risk may for example occur when a party to a transaction (such as an issuer or a custodian of the Instrument) becomes insolvent and liquidates its positions in an Instrument, leading to a potential loss of capital.

Target Market Matrix

Target Market Matrix is available here.