

# **ZERO MARKETS**

*(ZERO SECURITIES PTY LTD)*

## **RISK DISCLOSURE AGREEMENT**

**Last Updated:** 1<sup>st</sup> April 2025

**ABN:** 61 056 617 862

**AFSL:** 244040

**Address:** Suite 303, 10 Bridge Street, SYDNEY NSW 2000

**Phone:** +61 (0)2 7908 3133

**Email:** [support@zeromarkets.com](mailto:support@zeromarkets.com)

## **Table of Contents**

### **1. Introduction**

1.1 Investment Products Available

1.2 Risk Considerations

### **2. Key Risks in Securities Trading**

2.1 Understanding the Risks of Investing in Shares

2.2 Dividend Payments – No Guarantee of Returns

2.3 Costs Associated with Trading

2.4 Price Gaps and Sudden Market Movements

2.5 Liquidity Risks and Trading Limitations

2.6 International Investments and Currency Exposure

2.7 Securities Subject to Market Stabilization

2.8 Risks Associated with Low-Priced and Penny Stocks

2.9 Trade Settlement and Transaction Completion

2.10 Trading Execution and Investor Responsibility

2.11 Market Risks and Economic Influences

2.12 Client Fund Security and Regulatory Compliance

### **3. Risks Associated with Investment Products**

3.1 Exchange-Traded Funds (ETFs) and Their Complexities

3.2 Holding Uninvested Money – Potential Implications

3.3 Trading in Fractional Shares – Unique Considerations

### **4. Risks of Trading Beyond Regular Market Hours**

4.1 Market Liquidity and Execution Risks

4.2 Price Volatility and Market Reactions to News

4.3 Pricing Discrepancies and Fragmented Markets

4.4 Additional Risks in Overnight Trading

4.5 Key Considerations for Investors

## 1. Introduction

This This Risk Disclosure Agreement is issued by **ZERO Securities Pty Ltd** (ACN 056 617 862), **trading as ZERO Markets**.

For the purposes of this Agreement, **ZERO Securities Pty Ltd will be referred to as “ZERO Markets”, “we”, “our” or “us”**.

This document outlines key considerations regarding the risks associated with investments offered by ZERO Markets. It is not an exhaustive guide to all potential risks, nor does it consider your individual financial circumstances. If you are uncertain whether these products align with your investment goals, it is strongly recommended that you seek independent financial advice before engaging in any transactions.

### 1.1 Investment Products Available

ZERO Markets Pty Ltd provides access to various investment opportunities, including but not limited to:

- Securities – Investors can trade in shares, fractional shares, and exchange-traded funds (ETFs), subject to market availability and corporate issuance.

### 1.2 Risk Considerations

While our investment products cater to both retail and institutional investors, it is important to understand that all investments carry inherent risks. The value of your investment may fluctuate, and there is no guarantee that you will recover the full amount initially invested.

## 2. Key Risks in Securities Trading

### 2.1. Understanding the Risks of Investing in Shares

When purchasing shares, investors acquire partial ownership in a company. The value of these shares fluctuates based on the company's financial performance, investor sentiment, economic conditions, and broader market trends. If the company thrives, the share price may rise, potentially leading to gains. However, if the company performs poorly, the share price may decline, resulting in losses.

It is crucial to understand that ordinary shareholders are last in line for compensation in the event of a company's insolvency. Unlike bondholders or preferred stockholders, common shareholders have no guarantee of recovering their initial investment if the company becomes financially unviable. While some companies offer returns in the form of dividends or capital appreciation, these benefits are not assured, and extreme circumstances could lead to a total loss of capital.

Stock prices are largely determined by supply and demand forces, often influenced by public perception, economic outlook, and corporate events. If market sentiment shifts negatively, stock prices can decline, meaning investors may not recover the full amount they originally invested. It is also important to note that past performance is not an indicator of future returns, and even historically successful companies may experience downturns.

## **2.2. Dividend Payments – No Guarantee of Returns**

Some companies choose to distribute profits to shareholders in the form of dividends, which may be issued annually, semi-annually, or quarterly. The amount and frequency of these payments are determined by the company's board of directors and depend on factors such as earnings, financial stability, and market conditions.

Even well-established businesses with a history of stable dividend payments may reduce, delay, or suspend dividends during financial downturns. Companies focused on rapid expansion, particularly in emerging industries, tend to reinvest earnings rather than distributing them to shareholders. Investors relying on dividends should be aware that payouts are never guaranteed, and external factors can disrupt planned distributions.

## **2.3. Costs Associated with Trading**

Trading in securities involves various costs, which can impact net returns. Investors must be aware of brokerage fees, commissions, and administrative charges imposed by brokers or third-party service providers. These fees are deducted from trading profits, meaning a transaction must be sufficiently profitable to cover associated costs. Additionally, market-related charges such as spreads, exchange fees, and regulatory levies may further affect trading outcomes. Failing to account for these costs can lead to lower-than-expected returns or increased financial strain.

## **2.4. Price Gaps and Sudden Market Movements**

Financial markets do not always move in predictable increments. A stock may close at one price but reopen at a significantly different level, particularly after weekends, holidays, or major economic announcements. This phenomenon, known as market gapping, can result in unexpected losses for investors who hold positions overnight or during trading suspensions.

Price gaps are often caused by external factors such as earnings reports, regulatory announcements, macroeconomic shifts, or geopolitical events. Since gaps may bypass stop-loss orders, investors should carefully manage exposure and consider the risks of holding securities outside active trading hours.

## **2.5. Liquidity Risks and Trading Limitations**

Liquidity measures how easily a security can be bought or sold without significantly affecting its price. While some stocks are actively traded and offer ease of entry and

exit, others especially small-cap, emerging market, or specialized sector stocks may have lower liquidity, making it difficult to sell them quickly or at a favourable price. In some cases, a lack of liquidity can result in an inability to sell securities at any price, leading to financial losses. Additionally, ZERO Markets reserves the right to suspend or discontinue the offering of certain shares at its sole discretion. This may occur due to various factors, including but not limited to:

- Lack of market data, pricing errors, or technical malfunctions.
- Trading halts, suspensions, or excessive market volatility.
- Internal risk parameters, regulatory considerations, or liquidity constraints.
- Political, economic, or force majeure events affecting market stability.

Investors should remain aware that trading availability is subject to market conditions and risk management policies.

## **2.6. International Investments and Currency Exposure**

Investing in international markets introduces additional complexities, including currency risk, regulatory differences, and limited access to financial information. Foreign securities may not have the same level of disclosure as domestic companies, making it harder to assess their financial health.

Currency exchange rate fluctuations can significantly impact returns. Even if a stock performs well, an unfavourable shift in foreign exchange rates can reduce or eliminate gains. Additionally, differences in trading hours between global markets may delay access to real-time pricing, potentially affecting trade execution and risk management.

## **2.7. Securities Subject to Market Stabilization**

At times, securities may be subject to market stabilization practices, where certain trading strategies are used to influence stock price movements. Stabilization may occur when newly issued securities enter the market, ensuring that their price does not fluctuate excessively during the early trading period. While stabilization can provide short-term price stability, it can also distort natural market forces.

These interventions can impact not only the price of newly issued securities but also other related instruments. Investors should recognize that market stabilization efforts do not eliminate investment risks and may lead to artificial price movements that do not reflect actual market conditions.

## **2.8. Risks Associated with Low-Priced and Penny Stocks**

Certain stocks, particularly low-priced shares traded on alternative markets, are considered high-risk investments. These stocks, often referred to as penny stocks, are prone to extreme volatility, price manipulation, and liquidity constraints.

Companies listed on less regulated exchanges may not be subject to the same financial reporting standards as larger corporations. As a result, information about these securities can be difficult to obtain, increasing the likelihood of investment

losses. Additionally, the bid-ask spread on penny stocks is often significantly wider, meaning investors may struggle to sell shares at a desirable price.

## **2.9. Trade Settlement and Transaction Completion**

Once a trade is executed, it is not immediately finalized. Securities transactions involve a settlement period, during which shares are transferred to the buyer and funds are credited to the seller. The settlement process typically requires both parties to simultaneously match their trades with the corresponding financial obligations.

Any delays, system failures, or market disruptions may cause unexpected settlement issues, temporarily restricting access to funds or shares. Investors should be aware of settlement timeframes and the potential impact of unexpected processing delays.

## **2.10. Trading Execution and Investor Responsibility**

ZERO Markets provides an execution-only trading service, meaning that we execute trade orders as instructed by clients but do not offer investment advice, tax guidance, or financial planning services. Investors must conduct their own due diligence and accept full responsibility for their trading decisions.

While factual market data may be made available, ZERO Markets does not evaluate the suitability of any investment for individual clients. Investors should consider seeking independent financial advice before making trading decisions.

## **2.11. Market Risks and Economic Influences**

Stock prices are influenced by macroeconomic factors, corporate earnings reports, and government policies. Key influences on the financial markets include but are not limited to:

- Changes in interest rates, inflation, and consumer demand.
- Adjustments in government fiscal policies and tax structures.
- Political instability, trade restrictions, and regulatory changes.
- Corporate governance developments and sector-specific risks.

Market downturns can affect entire industries, meaning investors should assess broader economic conditions alongside company-specific risks.

## **2.12. Client Fund Security and Regulatory Compliance**

In accordance with ASIC regulations, all client funds are held in segregated accounts, ensuring that investor capital remains separate from the company's operating funds. While this structure enhances financial security, it does not eliminate all risks.

Financial institutions holding client funds may still face their own operational or liquidity challenges. While ZERO Markets carefully selects banking partners based on stability and creditworthiness, no financial system is entirely free of risk. Investors

may request additional details regarding the security measures in place to safeguard their funds.

### **3. Risks Associated with Investment Products**

#### **3.1. Exchange-Traded Funds (ETFs) and Their Complexities**

ETFs provide investors with access to diversified portfolios by tracking indices, sectors, commodities, or other assets. Before investing, individuals should thoroughly examine the fund's investment strategy, cost structure, liquidity, and associated risks.

Not all ETFs operate in a straightforward manner. Certain funds, such as leveraged and inverse ETFs, employ derivatives and complex trading strategies to amplify returns or move contrary to market direction. These products are particularly suited for short-term trading and active investors who regularly monitor market movements. Their design makes them highly sensitive to daily price fluctuations, meaning they are not generally recommended for long-term investment purposes.

Due to the potential complexity of these instruments, we require confirmation from investors that they understand the risks involved before they can trade in such products. Anyone engaging in leveraged or inverse ETF transactions should ensure they have the necessary experience and awareness of the potential for amplified losses.

#### **3.2. Holding Uninvested Money – Potential Implications**

Investors who maintain unallocated cash in their trading accounts should be aware that these funds may be held in trust accounts with regulated financial institutions. Depending on prevailing terms, ZERO Markets may credit interest on uninvested balances. However, keeping funds idle in a trading account is not without risk.

Two key risks associated with uninvested funds include:

- **Impact of Inflation:** Over time, the purchasing power of money can decrease if inflation outpaces the interest earned on deposited funds. Even if interest is applied to the uninvested balance, rising costs can result in a reduction in real value.
- **Institutional Credit Risk:** Although client funds are held in segregated accounts for added protection, the banks or financial institutions where funds are deposited are still subject to financial risk. If a financial institution experiences distress or insolvency, a portion or all of the uninvested funds could be lost. To manage this risk, we conduct ongoing credit assessments and due diligence when selecting institutions for fund deposits.

While regulatory protections exist, no financial system is entirely free of risk, and investors should consider whether keeping funds uninvested aligns with their financial strategy.

### **3.3. Trading in Fractional Shares – Unique Considerations**

Fractional shares allow investors to purchase portions of a stock rather than full shares, making it easier to invest in high-priced securities. However, fractional shares differ from full shares in several ways and have certain limitations.

Unlike full shares, fractional shares cannot be directly traded on public exchanges. These shares exist solely within the ZERO Markets trading environment, meaning investors cannot transfer them to another broker unless they are sold first. As a result, liquidity for fractional shares is entirely dependent on our platform, which may limit an investor's ability to exit positions as freely as with full shares.

ZERO Markets ensures that all orders for fractional shares adhere to best execution practices, meaning they will be executed at a price no worse than the prevailing bid or offer on the reference exchange at the time of order placement. However, orders entered outside of market hours will not be processed until regular trading resumes, which may lead to price variations.

Since fractional shares cannot be issued as physical stock certificates, they must be liquidated if an investor decides to close their account or transfer assets to another firm. Investors should also note that fractional shares may not always receive proportional voting rights or dividend payments, particularly when rounding adjustments occur. In cases where dividend amounts are too small to distribute, investors may not receive a payout.

Additionally, there may be conflicts of interest associated with fractional trading, as execution occurs over-the-counter rather than on an exchange. By engaging in fractional trading through our platform, investors acknowledge and accept these execution methods. If an investor no longer wishes to participate in fractional share trading, they may submit a written request to discontinue such transactions.

## **4. Risks of Trading Beyond Regular Market Hours**

Trading beyond standard market hours provides flexibility but also introduces unique risks that investors should carefully evaluate. Unlike trading during regular sessions, after-hours and overnight trading expose participants to lower liquidity, increased price volatility, and inconsistent pricing across different trading platforms. While some investors may find extended trading beneficial, the risks associated with order execution, price distortions, and market unpredictability can significantly impact trade outcomes. It is the responsibility of traders to assess whether engaging in 24/5 trading aligns with their risk tolerance and investment strategy.

### **4.1. Market Liquidity and Execution Risks**

One of the key challenges of trading outside regular hours is limited market participation, leading to reduced liquidity. With fewer buyers and sellers available, orders may take longer to execute, may be only partially filled, or may not be completed at all. Additionally, the difference between buying and selling prices (the bid-ask spread) tends to widen in low-liquidity conditions, forcing traders to

accept less favourable execution prices or experience higher transaction costs. This can be particularly problematic for investors looking to enter or exit positions quickly, as price inefficiencies can make trading more expensive and unpredictable.

#### **4.2. Price Volatility and Market Reactions to News**

Stocks traded outside regular market hours often experience heightened price swings, as lower liquidity amplifies the impact of individual trades. Even small orders can cause significant fluctuations, making it difficult for investors to predict short-term price movements accurately.

Additionally, many companies release earnings reports, regulatory updates, and key corporate announcements after market close, triggering sharp reactions in stock prices. With fewer traders available to absorb the impact, these price shifts can be extreme. Investors who trade immediately after such announcements may find themselves exposed to price movements that are later corrected when the regular market reopens.

#### **4.3. Pricing Discrepancies and Fragmented Markets**

Unlike trading during standard hours, where prices are determined by centralized exchanges, after-hours trading occurs on separate, unlinked systems, leading to pricing variations. The same stock may be quoted at different prices on different platforms, resulting in price inconsistencies that could lead to trades being executed at less favourable rates than those available on other networks.

Additionally, prices observed in after-hours trading do not always carry over into the next regular session. A stock that rises or falls significantly overnight may open at a completely different price when normal market activity resumes. Investors who place trades based on after-hours price trends may find themselves affected by market corrections or reversals once broader participation is restored.

#### **4.4. Additional Risks in Overnight Trading**

Among all extended trading periods, overnight trading presents the highest level of uncertainty. Liquidity tends to be at its lowest, and price swings can be even more dramatic due to the influence of global events and economic developments occurring outside domestic market hours. Political news, economic data releases, and central bank decisions in foreign markets can significantly impact stock prices before the local market reopens, leading to unexpected price gaps when regular trading resumes.

#### **4.5. Key Considerations for Investors**

Given the risks associated with lower liquidity, higher volatility, price fragmentation, and overnight developments, investors should exercise caution when trading outside standard hours. Utilizing limit orders instead of market orders can help control execution prices, while closely monitoring corporate news and global market events can provide insight into potential price movements. Understanding these

challenges allows traders to make more informed decisions and reduce exposure to unexpected market conditions.