Western Group Inc.

TRADING AND EXECUTION RISKS

I. Types of Trading Methods Allowed

WesternFX does not allow all types of Trading Methods, Styles, and Misquotes Expert Advisors. WesternFX reserves the right, to close any account if deems it is engaging in unethical or questionable trading styles including, but not limited to latency arbitrage and the act of "flooding" of the WesternFX servers with an excessive amount of pending orders, without notice. WesternFX will usually (but is not obligated to) attempt to express its concern initially to the Customer or associated parties via email or telephone in the form of a formal warning.

In the event that more than 10% of the Customer trading volume was executed using an unethical system, WesternFX reserves the right to refuse paying the profits generated from these transactions. To avoid debate of the term 'unethical' if more than 10% of the trading volume is closed within 3 minutes, those trades would be regarded as 'unethical' and profits would not be paid out. However, WesternFX cannot refuse from paying out the balance remaining once these trades have been reversed or deleted from the system.

II. Slippage in Orders

The purpose of WesternFX is to provide its clients with the best pricing available at any time and to get all orders filled at the requested rate. However, there are times when, due to an increase in volatility or volume, orders may be subject to slippage. This most commonly occurs during fundamental news events and other Political or Market announcements.

The volatility in the market can and might create trading conditions where orders are difficult to execute at the requested rate, since the price might be many pips away due to the extreme market movement. Even though the trader is looking to execute at a specific price, the market might have moved significantly and the order would be filled at the next best price or the fair market value. Similarly, increased volume may also result in slippage if sufficient liquidity does not exist to execute all trades at the requested rate.

Furthermore, once a limit or stop order is triggered, it becomes an At Best market order, and there is no guarantee it will be filled at any particular given price. Therefore, limit or stop orders may also experience slippage depending on the market conditions.

III. Rejection in Orders

Extreme Market volatility creates conditions that make it difficult to execute orders at the given price due to an extremely high volume of orders. By the time orders are able to be executed, the bid/ask price at which a counterparty is willing to take a position may be several pips away.

In cases where the liquidity pool is not large enough to fill a Market or Pending order, the order will be rejected until the order can be filled.

IV. Offquotes in pricing

Offquotes may occur at times of extreme volatility and fast price movement. Offquotes occur because the price the trader wants to execute a trade has moved and the system cannot execute at that level. To avoid extreme cases of slippage an offquote may appear. This protects the trader from excessive slippage.

V. Execution Delay

A delay in execution can happen for several reasons, such as technical issues with the trader's internet connection to the WesternFX servers, which may result in hanging orders. The WesternFX Trading Station on a trader's computer may not be maintaining a constant connection with the WesternFX servers due to a lack of signal strength from a wireless or dialup connection.

A disturbance in the connection path can sometimes interrupt the signal, and disable the WesternFX Trading Station, which can cause delays in the transmission of data between the trader's WesternFX Trading Station and the WesternFX server.

VI. Grayed Out Pricing

WesternFX does not intentionally "gray out" prices; however, this is a condition that occurs when liquidity decreases, and liquidity providers that provide pricing to WesternFX are not actively making a market for particular currency pairs. At times, a severe increase in the difference of the spread may occur due to a loss of connectivity with a liquidity provider or due to an announcement that has a dramatic effect on the market that dries out liquidity. Such graying out of prices or increased spreads may result in margin calls on a trader's account.

VII. Widened Spreads

The goal of WesternFX is to provide traders with tight, competitive spreads; however, there may be instances when spreads widen beyond the typical spread. During news events spreads may widen substantially in order to compensate for the tremendous amount of volatility in the market. The widened spreads may only last a few seconds or as long as a few minutes.

WesternFX strongly encourages traders to use caution when trading around news events and economic announcements and always be aware of their account equity, usable margin and market exposure. Widened spreads can adversely affect all positions in an account.

VIII. Gapping

Sunday's opening prices might or might not be the same as Friday's closing prices. At times, the prices on the Sunday open are near where the prices were on the Friday close. At other times, there might be a significant difference between Friday's close and Sunday's open. The market may gap if there is a significant news announcement or an economic event changing how the market views the value of a currency. Traders holding positions or orders over the weekend should be fully comfortable with the potential of the market to gap. In the case of Pending orders, the limit or stop orders will be executed at the next available price after the gap.

IX. Weekend Risk (Price Gap)

Traders who fear that the markets may be extremely volatile over the weekend, that gapping may occur, or that the potential for weekend risk is not appropriate for their trading style, may simply close out orders and positions ahead of the weekend.

X. Liquidity

Please be aware that during the first few hours after the open, the market tends to be thinner than usual until the Tokyo and London market sessions begin. These thinner markets may result in wider spreads, as there are fewer buyers and sellers. This is largely due to the fact that for the first few hours after the open, it is still the weekend in most of the world.

XI. Margin Calls

The idea of margin trading is that your margin acts as a good faith deposit to secure the larger notional value of your position. Margin trading allows traders to hold a position much larger than their actual account value. WesternFX offers Leverage of up to 1:500 depending on the account type. Obviously, trading on margin comes with risk, since high leverage may work against you as much as it works for you. If account equity falls below margin requirements, the WesternFX Trading Station will trigger an order to close all open positions. When positions have been over-leveraged or trading losses are incurred to the point that insufficient equity exists to maintain current open positions, a margin call will result, and open positions must be liquidated.

Please keep in mind that when the account's useable margin reaches zero, all open positions are triggered to close. The margin-call process is entirely electronic, and there is no discretion on WesternFX's part as to the order in which trades are closed. Such discretion would require WesternFX to actively monitor positions and accounts.

Although the margin call feature is designed to close positions when account equity falls below the margin requirements, there may be instances when liquidity does not exist at the exact margin call rate. As a result, account equity can fall below margin requirements at the time orders are filled, even to the point where equity account becomes negative. This is especially true during market gaps or volatile periods. WesternFX will not hold traders responsible for deficit balances in this scenario, but clients should be aware that all funds on deposit in an account are subject to loss. WesternFX also recommends that traders use stop orders to limit downside risk instead of using a margin call as a final stop.

WesternFX strongly recommends that traders maintain the appropriate amount of margin in their accounts at all times. You may request to change your margin requirement/leverage, which is subject to approval by WesternFX. Margin requirements may be changed based on account size, simultaneous open positions, trading style, market conditions, and at the discretion of WesternFX.

Account equity can fall below margin requirements at the time orders are filled, even to the point where equity account becomes negative. This is especially true during market gaps or volatile periods. WesternFX will not hold traders responsible for deficit balances in this or any scenario, but clients should be aware that all funds on deposit in an account are subject to loss.

XII. Chart Pricing vs. Prices Displayed on the Platform

It is important to make a distinction between indicative prices (displayed on charts) and executable prices (displayed on the WesternFX Metatrader Platform in the Market Watch Window). Indicative prices are usually very close to executable prices. Indicative prices only give an indication of where the market is. Only executable prices can be traded.

XIII. Differences in Pricing between Brokers

Because the spot forex market is decentralized meaning it lacks a single central exchange where all transactions are conducted, each forex broker, may quote slightly different prices. The small differences in prices are also due to the different spreads and commission each broker charges.

XIV. Bonus Offer

Clients should carefully read and understand the terms and conditions for every bonus offering provided by WesternFX. The responsibility of understanding, the terms and conditions lies with the receiver of the bonus or bonuses.