



LEVERAGE AND MARGIN POLICY

Original Issue Date:	June 2019
Approver(s):	Board of Directors
Owner(s):	Leverate Financial Services Ltd
Contact Person:	Chief Executive Officer
Classification:	Leverage Policy
Operational Applicability:	All personnel
Geographic applicability:	Cyprus
Last Revision Date:	November 2020
Version:	1.1
Other Languages:	N/A

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LEVERAGE AND MARGIN POLICY

1. INTRODUCTION

- 1.1. 'Leverate Financial Services Limited', is a Cyprus Investment Firm incorporated under the laws of the Republic of Cyprus, with Company Registration Number HE290 182, having its registered office at 88, Agias Fylaxeos, Zavos City Center, 4th Floor, CY 3025, Limassol, Cyprus (hereinafter ("LFS", the "Company", "we" or "us").
- 1.2. The Company is regulated as a Cyprus Investment Firm ('CIF') by the Cyprus Securities and Exchange Commission ("CySEC") under license number 160/11, and is operating in accordance with the Markets in Financial Instrument Directive 2014/65/EU and its implementing measures ("MIFID II") and Regulation 2014/600/EU ("MiFIR"), as transposed into Cyprus law by Cyprus Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets and its implementing measures (the "Investment Services Law").
- 1.3. In line with MiFID II, MiFIR and the Investment Services Law, the Company has to inform its clients of the leverage and margin requirements that are applicable when its clients trade in Contracts for Differences.

2. PURPOSE & SCOPE

- 2.1. The purpose of this Policy is to define how we set leverage and procedures when our clients trade in Contracts for of Difference ("CFDs").
- 2.2. It explains the key aspects of leverage trading with margin and what leverage levels we make available depending on our clients' knowledge and experience along with regulatory requirements. It also outlines the impact on the margin and clients' accounts where negative market movement occur.

3. APPLICABILITY

- 3.1. This Policy applies when LFS executes Retail Clients' orders according to the Regulations, as defined below. It does not apply to Professional or Eligible Counterparties as these are defined under the relevant Regulations.

4. OUR OBLIGATIONS AND COMMITMENT

- 4.1. Treating customers fairly is our main obligation to our corporate culture and ethos.
- 4.2. The Company, as a regulated investment firm, has a duty to act honestly, fairly, professionally and in the best interest of our clients when dealing with them.
- 4.3. In relation to Leverage, we are required:
 - a) To set leverage levels that reflect retail clients' knowledge and experience in trading in complex financial instruments like CFDs given that trading with leverage and margin is a key characteristic of trading in CFDs;
 - b) To avoid any aggressive leverage practices towards our retail clients;
 - c) To have regard to the underlying performance fundamental of the financial instrument on which the CFD is based, including among others historic volatility, depth of market (liquidity and trading volumes), market capitalization of the issuer and country of issuer of the underlying financial instrument, hedging capabilities, general economic climate and geopolitical events. We adjust and calibrate the above variables in determining the leverage levels we offer for asset classes or financial instruments;
 - d) Given that, we effectively provide leverage, to have regard to our own risk management appetite and risk bearing capacity and to have in place policies, procedures and practices to manage our (primarily) market risk emanating from such leverage and margin trading by our clients. Following the aforementioned, the

Company has a neutral risk appetite. We take into consideration both the leverage provided to our clients and the leverage provided by our execution venues with which we hedge clients' positions along with our available own funds. The conditions of netting positions within the execution venues, where possible, allow the Company to provide larger leverage to our clients than the leverage received.

- e) To apply regulatory requirements and caps as set out by our home regulator, CySEC, or any other regulator in any jurisdiction we offer our services to.

5. LEVERAGE TRADING AND MARGIN

- 5.1. Trading on leveraged capital means that clients can trade amounts significantly higher than the funds invested, which only serve as the margin. High leverage can significantly increase the potential return, but it can also significantly increase potential losses.
- 5.2. This means that clients, can trade with amount higher than could invest in a particular CFD without the margin the Company provided.

A. *Leverage Ratios for Different Asset Classes and Financial Instruments and Different Clients*

- 5.3. We enable our clients to trade via our web and mobile trading platforms.
- 5.4. For retail clients, lower leverage limits apply which cannot exceed the maximum level as depicted in the following table.
- 5.5. It shall be noted that, according to its '**Policy Statement on the Imposition of National Measures in Relation to the Marketing, Distribution and Sale of CFDs**', CySEC prescribes maximum default leverage ratio of 1:30 on major FX instruments however, certain jurisdictions may apply other regulatory caps of leverage ratios. For example, in Spain, a maximum leverage ratio of 1:10 applies to all Retail clients.
- 5.6. We reserve the right to reduce leverage ratios for CFDs in financial instruments that maybe the subject of actual or anticipated corporate actions, with or without notice to the clients, in order to address likely market and financial instrument volatility. Whether possible, we might give three (3) business days' notice of such changes so as to enable the clients to take any actions might consider appropriate.
- 5.7. Furthermore, we also reserve the right to apply a specific leverage per single instrument in the event that client orders are exceeding a predetermined position size limit.
- 5.8. The applicable leverage ratios can be found at the Company's websites at any point in time.
- 5.9. The maximum default leverage ratios imposed under CySEC's '**Policy Statement on the Imposition of National Measures in Relation to the Marketing, Distribution and Sale of CFDs**', are set out in the table below:

CFDs	Updated default Leverage	Maximum Leverage for Professional Clients
Major FX pairs (The major currencies are currency pairs comprising any two of the following currencies: USD, EUR, JPY, GBP, CAD or CHF)	30:1 (3.33%)	400:1 (0,25%)
All other currencies	20:1 (5%)	200:1 (0,5%)
Gold	20:1 (5%)	100:1 (1%)
Major Indices (The major indices are any of the following equity indices: FTSE 100, CAC 40, DAX, DOW, S&P 500, NASDAQ, Nikkei 225, ASX 200, EURO STOXX 50)	20:1 (5%)	100:1 (1%)
All other indices	10:1 (10%)	50:1 (2%)
Commodities (other than Gold)	10:1 (10%)	50:1 (2%)
Equities	5:1 (20%)	40:1 (2,5%)
Cryptocurrencies	2:1 (50%)	40:1 (2,5%)

B. Stop out and Margin levels

- 5.10. The Clients’ stop out and margin call levels shall be determined based on analysis of statistical data in order to ensure that they are at levels sufficient to minimize to the extent possible the probability of negative balances occurring.
- 5.11. The levels of the stop out and margin call are at least 50% and 150%, respectively, so as to comply with CySEC’s ‘Policy Statement on the Imposition of National Measures in Relation to the Marketing, Distribution and Sale of CFDs’ regarding stop out level. Furthermore, the Company can increase at its own discretion the levels prior to and during periods of anticipated increased market volatility and/or major economic or political events.
- 5.12. The Company may amend (raise) further those limits upon the Audit & Risk Committee's decision.

6. NEGATIVE BALANCE PROTECTION

- 6.1. We offer all our clients Negative Balance Protection. This means that Clients can never lose more than the amounts available in their trading account.

7. INTRODUCTION TO MARGIN LEVEL

- 7.1. Margin level is the percentage value bases on the amount of accessible usable margin versus used margin. In other words, it is the ration of equity to margin. When the margin level decreases, your account bears an increased risk of liquidation. You are advised to monitor margin level at all times. Whilst we may from time to time sent you notification of your Margin Level reaching certain thresholds, you are reminded that under the Retail Client Investments Services Agreement between you and us, it is your responsibility to monitor at all times the margin level and take relevant actions.

Please note that we do not provide advice for the trading decisions and actions you take, including the actions you may take to address the Margin Level requirements.

- 7.2. **Free Margin**

Free Margin is the sum of funds you have available to use as initial margin for new positions. This is calculated by subtracting the margin used for your open positions from your Equity.

7.3. Maintenance Margin

Maintenance margin refers to the minimum equity you need to have in order to keep your positions open. This is also commonly referred to as “maintenance requirement” or “minimum maintenance”. If your equity falls below the minimum equity, your account may encounter Stop-out. Stop-out means one or all of the active trades will be closed automatically, starting from the least beneficial trades, because the accounts margin level has dropped to a point where it can no longer support loss from open trades. Our Stop-out occurs when the margin level of the account is less than or equal to 50%.

7.4. Margin Call and Margin Stop-out

Margin Call occurs when the funds in the trading account cannot cover the possible loss from open trades. It happens when equity falls below used margin.

Stop-Out: one or all of the trader’s active trades are closed automatically, starting from the least beneficial trades, because the accounts margin level has dropped to a point where it can no longer support loss from open trades. Our Stop out occurs when the margin level of the account is less than or equal to 50%.

Margin level percentage formula: $\text{Equity}/\text{Margin used} \times 100$

We advise you that it is your sole responsibility to monitor the margin level of your positions in real-time via your web trading platform or your mobile application.

If your margin level drops to or below 100%, you will not be able to open any new positions. Should your margin level fall below the minimum of 50%, then we reserve the right to liquidate all or part of your open trades and close any open positions at our discretion, until your account margin level rises above the 50%. We will liquidate positions starting from least profitable trades.

8. FURTHER INFORMATION

- 8.1. If you would like further details regarding this Leverage Policy, you should feel free to contact our Compliance Officer, as follows: compliance@leverate.com.
