# LEVERAGE AND MARGIN POLICY
# Maxiflex Ltd

## INTRODUCTION

Maxiflex Ltd (hereinafter referred to as the "Company) is a Cyprus Investment Firm licensed and regulated by the Cyprus Securities and Exchange Commission ("CySEC") with License Number 258/14.

## SCOPE

This Leverage and Margin Policy (the "Policy") sets out how we set leverage and margin levels and procedures when you trade in Contracts of Difference ("CFDs") with us.

The purpose of this Policy is to explain the key aspects of leverage trading and what leverage levels we make available depending on your knowledge and experience and regulatory requirements. It also outlines the impact on your margin and account where negative market movements occur.

## LEGAL AND REGULATORY FRAMEWORK

This Policy is issued pursuant to, and in compliance with the requirements of EU Directive 2014/65/EU on Markets in Financial Instruments ("MiFID II") and the Investment Services and Activities and Regulated Markets Law of the Republic of Cyprus Law 87(I)/2017, which transposed MiFID II into Cyprus legislation.

Furthermore, the Policy is complies with Circular C271 which has been issued by CySEC on 4 June 2018 pursuant to ESMA's product intervention decision on CFDs and Binary Options issued on 1 June 2018 which decision starts to apply from 1 August 2018 for CFDs.

In this Policy, we collectively refer to all the above legislations, regulations and guidelines as "Regulations". This Policy has been approved by our Board of Directors. Also, it is the Company's policy to review the present Policy once a year, and where relevant amendments need to be made, the Company's Compliance function shall be responsible for the update of this Policy, prior to its submission at the Board of Directors for its further approval.

## APPLICABILITY

This Policy applies to the Company's execution of orders on behalf of Retail clients and Professional clients according to the Regulations and Laws, as defined below. If you are an Eligible Counterparty as defined under the Regulations this Policy does not apply to you.

## COMPANY'S COMMITMENT

Treating Customers fairly is vital to our corporate culture and ethos and attitude. The Company has a duty to act honestly, fairly, professionally and in the best interests of our clients when dealing with them.

In relation to Leverage and Margin, the Company is required:

a. To set leverage levels that reflect your 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 have regard to our duty to treat you fairly by avoiding aggressive leverage practices towards you;

c. To have regard to the underlying performance fundamentals of the financial instrument on which the CFD is based, including, if applicable, historic volatility, depth of market liquidity and trading volumes, market capitalization of the issuer and country of issuer of the underlying financial instrument, our ability to hedge market risk and the general political and economic environment. 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 the leverage for which you trade, 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;
e. To apply regulatory requirements and caps as set by CySEC and/or ESMA.

## FACTORS CONSIDERED

The Company takes into consideration the following factors when determining the maximum allowed leverage:

- Client's Knowledge & Trading experience: With a series of questions in the account opening application we
- determine the client's financial strength, financial knowledge, trading experience, and trading style.
- The risk appetite and risk management of the Company
- The capital base and financial strength of the Company, as calculated and monitored based on the Company's Capital Adequacy
- Asset Class: based on the instrument specifics, leverage on CFDs can go up to 1:30

## CLIENTS' CATEGORIZATION **Professional clients**

A Professional Client is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. In order to be considered a Professional Client, the Client must comply with the following criteria
A. Categories of Client who are considered to be professionals:

For the purposes of this Law, the following shall be regarded as professionals in relation to all investment services and activities and financial instruments:

1. Entities which are required to be authorised or regulated to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned – entities authorised by a member state under a European Community Directive, entities authorised or regulated by a member state without reference to such Directive, and entities authorised or regulated by a non-Member State:

(a) Credit institutions; (b) Investment Firms;

(c) Other authorised or regulated financial institutions;

(d) Insurance undertakings;

(e) Collective investment schemes and management companies of such schemes;

(f) Pension funds and management companies of such funds;

(g) Commodity and commodity derivatives dealers;

(h) Locals;

(i) Other institutional investors.

2. Large undertakings meeting two of the following size requirements, on a proportional basis:

- balance sheet total at least: 20’000’000 Euro;
- net turnover at least: 40’000’000 Euro;
- own funds at least: 2’000’000 Euro.

3. National and regional governments, public bodies that manage public debt, central banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations.

4. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financial transactions. The entities mentioned above are considered to be professionals.

**Any Clients not falling within this list will be treated, by default, as Retail Clients.**

It is the responsibility of the Client, considered to be a Professional Client, to ask for a higher level of protection where it deems it is unable to properly assess or manage the risks involved.

This higher level of protection will be provided when a Client who is considered to be a professional enters into a written agreement with the Company to the effect that it shall not be treated as a professional for the purposes of the applicable conduct of the business regime.

Such an agreement should specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.

B. Clients who may be treated as professionals on request:

1. Identification criteria

Clients other than those mentioned in Part A above, including public sector bodies and private individual investors, may also be allowed to waive some of the protections afforded by the conduct of business rules.

The Company should therefore be allowed to treat any of the above Clients as professionals provided the relevant criteria and procedures mentioned below are fulfilled. These Clients should not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed in Part A above.

A client who does not fall under any of the categories in Section A above may be also be treated as a professional client upon request. The Company will forward a questionnaire in order to establish whether the client possesses sufficient experience, knowledge and expertise to enable him/her to make his/her own investment decisions and properly assess the risks that such investment incurs. In the course of this assessment two of the following criteria, as a minimum, should be satisfied:

- the Client has carried out transactions, of significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;

- the size of the Client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds 500’000 Euro;

- the Client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

2. Procedure

The Clients defined above may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- they must state in writing to the Company that they wish to be treated as professional clients, either generally or in respect of a particular investment service or transaction, or type of transaction or product;

- the Company must give them a clear written warning of the protections and investor compensation rights they may lose;

- they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

Before deciding to accept any request for a waiver, the Company must take all reasonable steps to ensure that the Client requesting to be treated as a Professional Client meets the relevant requirements stated in paragraph (1) of Part B above.

Professional Clients are responsible for keeping the Company informed about any change, which could affect their current categorisation. Should the Company become aware however that the Client no longer fulfils the initial conditions, which made him eligible for a professional treatment; the Company must take appropriate action.

## LEVERAGE RATIOS FOR DIFFERENT ASSET CLASSES

We enable you to trade CFDs via the mobile trading platform.

The amount of available leverage depends, inter alia, on the results of the assessment of appropriateness of the client.

The Company offers different categories of margin requirements depending on the particular asset in order for the client to manage the exposure of the account in a more efficient way during volatile markets. The main idea is to protect the clients’ accounts by requiring lower margin requirements for less volatile instruments and higher margin requirements for higher volatile instruments. This concept is illustrated below.

CFDs relate to underlying asset classes and financial instruments. We set out here below the class together with the maximum leverage levels we make available through our trading platforms:

| Margin Collected at opening transactions referred to Financial Instruments Listed in (Values Expressed as % of the nominal value at open positions) | | | | |
|---|---|---|---|---|
| | Fx (Majors) | Fx (Minors) | Metals | Shares |
| Retail investors | **3.33%** | **5.00%** | **5.00%** | **20.00%** |

| **Maximum Leverage at opening transactions referred to Financial Instruments Listed in (Values Expressed as Maximum Leverage Granted per Category)** | | | | |
|---|---|---|---|---|
| | Fx (Majors) | Fx (Minors) | Metals | Shares |
| Retail investors | **1:30** | **1:20** | **1:20** | **1:5** |

**FX (Majors):** Currency pairs composed of any two (2) of the following: USD, EUR, JPY, GBP, CAD and CHF.
**FX (Minors):** All other currencies.

**Metals:** Currency pairs composed with one of the following: XAU, XPT, XAG.

**Comments**: a. Leverage is applied on an asset class basis or on any other basis or per financial instrument as we may determine at our discretion. Subject to change with or without notice to reflect market conditions. The applicable leverage ratios at any point in time can be found on the official website. b. The maximum leverage 1:30 or 1:20 offered to any client depends on their level of experience in trading CFDs and the underlying asset class. The amount of available leverage depends on the results of your assessment of appropriateness. c. ESMA prescribes a minimum default leverage ratio of maximum 1:30 for major currency pairs and of maximum 1:20 for
non-major currency pairs. 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 you, in order to address likely market and financial instrument volatility. Where possible we will give you up to 8 business days' notice of such change so as to enable you to take the action you consider appropriate.

Note that certain jurisdictions apply a cap on leverage ratios irrespective of any retail client categorization into Experienced or Less Experienced. In accordance with CySEC's Circular C210, when retail investors residing in Spain trade with a leverage ratio greater than 1:10, the Company is required to expressly warn the investors about the risk and complexity of such products.

## KEY TERMS – LEVERAGE TRADING AND

## MARGIN

### What is Leveraged Trading?

Trading on leveraged capital means that you can trade amounts significantly higher than the funds you invest, which only serve as the margin. High leverage can significantly increase the potential return, but it can also significantly increase potential losses. Please see below an explanation on our "Negative Balance Protection" where we guarantee that you cannot lose more funds than what you have invested.

The leverage is specified as a ratio, such as 1:10, 1:20, 1:30. This means that you, as our client, can trade with amounts many times higher than you could invest in a particular CFD without the margin we provide. Sometimes the Leverage is expressed in percentage terms – and referred to as Margin requirement. For example, a leverage of 1:20 is a margin requirement of 5%.

**Example: If the leverage is 1:30 and if you as our client have $1,000 in your account, it means that you can now open trades worth $30,000.**

### 10.2 What is Spread?

The spread is the difference between the Bid price (selling price) and the Ask price (buying price) of the CFD.

**Example: If the quote for the EUR/ USD pair is 1.2910 against 1.2913, then the spread is 3 pips. What is Initial/Required Margin?**

Also known as the Initial Margin Requirement, the Initial Margin is the percentage of a financial instrument price that you, as the client, need to pay for with your own money. This requirement is basically the amount of collateral needed in order to open a margin account.

Required Margin or Margin Requirement refers to the amount you need in order to open and maintain a position, in addition to the initial loss that will occur due to the spread. The Required Margin is derived from the following formula: (Amount * Instrument Price) / Leverage + (Amount * Spread).

**Example: If you intend to buy a CFD on 10 barrels of oil at a price of 51.30 per barrel. The leverage on the Oil CFD is 1:100. The spread on the Oil CFD is $0.03.**

**Your Margin requirement is calculated as follows: (10 * 51.30) / 100 + (10 * 0.03) = $5.43**

## What is Equity?

In short, Equity can be defined as the value of your portfolio with us. Effectively it is the value of your funds with the Company (which at any point in time include realized profits and losses) plus the unrealized profit and loss on your CFDs based on their latest quoted valuation.

## Introduction to Margin Level

The Margin Level indicates how close your account is to a margin call. It is calculated as Equity/Initial Margin and is typically shown in "%". When the margin level decreases, your account bears an increased risk of liquidation. We call this the Close Out (stop out) Level and explain it further below. You are advised that you should monitor this margin level at all times. Whilst we may from time to time send you notifications 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.

Relevant actions that you can take to restore your Margin Level include:

- Closing or hedging some of your open positions.
- Depositing more funds that can help in averaging down your position.

Please note that we do not provide advice for the trading decisions and actions you take, including with respect to the actions you may take to address the Margin Level requirements such as the ones we refer to above.

## What is 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 current open positions from your Equity.

## What is Margin Call and Margin Stop-out?

Although each client is fully responsible for monitoring their trading account activity, our Company follows a margin call policy to guarantee that your maximum possible risk does not exceed your account equity.

As soon as your account equity drops below 100% of the margin needed to maintain your open positions, we will attempt to notify you with a margin call warning you that you do not have sufficient equity to support open positions.

In case you are a client accustomed to telephone trading and we feel that you can't maintain your open positions, you may receive a margin call from our dealers, advising you to deposit a sufficient amount in order to maintain your open positions.

The stop-out level refers to the equity level at which your open positions get automatically closed. For trading accounts held by retail clients the stop-out level is 50%.

## NEGATIVE BALANCE PROTECTION

We offer all our Retail clients Negative Balance Protection on a per account basis. This means that our clients will never lose more than the amounts they invested with.

**CONFLICTS OF INTEREST**

The Company is required to establish, implement and maintain an effective conflict of interest policy which shall specify the procedures put in place by the Company for identifying and responsibly managing and controlling and, where necessary, disclosing the conflicts of interest arising in relation to its business. For more information, please refer to the Company's Conflicts of Interest policy.

**OFFERING CFDs IN CERTAIN JURISDICTIONS**

CFDs are not eligible for sale in certain jurisdictions or countries. This Policy is not directed to any jurisdiction or country which is included in the Company's Banned Jurisdictions as this is defined in the Investment Services Agreement. The Policy does not constitute an offer, invitation or solicitation to buy or sell CFDs.

**APPLICABLE LANGUAGE**

Please note that where you have been provided with a copy of this Policy other than in the English language, such Policy is provided to you for information purposes only. The English version of this Policy is the version that is always binding on the Company.