# LEVERAGE AND MARGIN POLICY
# TOPFX LTD

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**Version 9**

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## INTRODUCTION

TopFX Ltd is registered as a Cyprus Investment Firm (CIF) and licensed by the Cyprus Securities and Exchange Commission (CySEC) under licence number 138/11 in accordance with the Markets in Financial Instruments Directive (MiFID II).

## GENERAL

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.

## 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.

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.

## IMPLEMENTATION OF POLICY

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.

ESMA, along with National Competent Authorities (NCAs), concluded that there exists a significant investor protection concern in relation to CFDs and binary options offered to retail investors. This is due to their complexity and lack of transparency; the particular features of CFDs – excessive leverage – and binary options - structural expected negative return and embedded conflict of interest between providers and their clients; the disparity between the expected return and the risk of loss; and issues related to their marketing and distribution.

NCAs' analyses on CFD trading across different EU jurisdictions shows that 74-89% of retail accounts typically lose money on their investments, with average losses per client ranging from €1,600 to €29,000. NCAs' analyses for binary options also found consistent losses on retail clients' accounts.

The product intervention measures ESMA has agreed under Article 40 of the Markets in Financial Instruments Regulation include:

1. Leverage limits on the opening of a position by a retail client from 30:1 to 2:1, which vary according to the volatility of the underlying:

- 30:1 for major currency pairs;
- 20:1 for non-major currency pairs, gold and major indices;
- 10:1 for commodities other than gold and non-major equity indices;
- 5:1 for individual equities and other reference values;
- 2:1 for cryptocurrencies;

2. A margin close out rule on a per account basis. This will standardise the percentage of margin (at 50% of minimum required margin) at which providers are required to close out one or more retail client's open CFDs;

3. Negative balance protection on a per account basis. This will provide an overall guaranteed limit on retail client losses;

4. A restriction on the incentives offered to trade CFDs; and

5. A standardised risk warning, including the percentage of losses on a CFD provider's retail investor accounts.

The Company may lower the leverage limits of its Clients' based on their appropriateness test in order to lower its exposure towards risk. The Company has publicly available on its website the said information which the Clients can visit and accept prior opening an account with the Company. The maximum leverage provided according to the Client's equity is the following:

This leverage policy will be updated at least once a year, and shall be approved by the Company's Board of Directors. Once approved the Company must inform all clients about the minimum and maximum relevant leverage levels.

**Note**: These leverage limits does not apply to professional clients and eligible counterparties.

**Margin Close-Out Rule**

The Company shall implement a margin close-out rule on a per account basis. The close-out rule is set to 50% of minimum required margin at which the Company is required to close out one or more retail client's open CFDs.

### 13.8. Clients' Level of Protection Regarding the Provision of Investment Services

It shall be the Company's policy to allow Clients to be treated at a higher or lower level of protection, either generally or, in respect of a particular investment service or transaction and/or financial instrument, as these are described in Sections 13.2 and 13.3 of this MANUAL.

The change in the level of protection for individual investment service(s) and/or financial instrument(s) shall be in accordance to the relevant provisions for Client re-classification in Sections 11.5.2.2 and 11.5.3.2 and of the MANUAL.

In this case, the Client shall inform the relevant officer with whom he is in contact for the provision of the said investment service(s) and/or financial instrument(s). The officer should then inform the Head of the Administration/Back Office Department so that for the relevant provisions of Client Classification to be followed, as described in Section 4.6 of the MANUAL.

The different level of protection shall be provided when a Client enters into a written agreement with the Company to the effect that he shall not be treated according to his general classification for the purposes of particular investment service(s) and/or financial instrument(s), in accordance with Sections 11.5.2.2 and 11.5.3.2 of the MANUAL. Such written agreement shall specify that the Client requests to be re-classified for particular investment service(s) and/or financial instrument(s).

The Head of Administration/Back Office Department shall be responsible for receiving from the Client the signed agreement and keeping the agreement in the Client's folder.

## 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.