LEVERAGE AND MARGIN POLICY

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LEVERAGE AND MARGIN POLICY

1. INTRODUCTION

1.1. 'FinPros.com' is a domain owned and operated by 'FinQuotes Financial (Seychelles) Ltd', a company registered in Seychelles with company registration number: 8429300-1, having its registered office at CT House, Office 9A, Providence, Mahé, Seychelles.

1.2. 'FinQuotes Financial (Seychelles) Ltd' is regulated by the Financial Services Authority ('**FSA'**) of Seychelles as a Securities Dealer with License number: SD087

1.3. A reference in this document to "**we**", "**us",** "**FinPros**", "**our**", "**ours**" and "**ourselves**" (as appropriate) is a reference to 'FinQuotes Financial (Seychelles) Ltd'.

1.4. This Policy applies to all Clients of FinPros, both retail and professional, when executing transactions in the financial instruments provided by us via Contracts for Differences ("**CFDs**").

1.5. This Policy is provided to you alongside our '**Client Agreement – Terms & Conditions of Business**' and contains further details on our services and the activities you may carry out with us.

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. OUR COMMITMENT

3.1. Treating customers fairly is our main obligation to our corporate culture and ethos.

3.2. The Company, as a regulated Securities Dealer, has a duty to act honestly, fairly, professionally and in the best interest of its clients when dealing with them.

3.3. In relation to Leverage, we undertake:

a) To set leverage levels that reflect 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 overly aggressive leverage practices towards our 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 set out by our home regulator, the Seychelles Financial Services Authority or any other regulator in any jurisdiction we offer our services to.

4. LEVERAGE TRADING AND MARGIN

A. What is Leveraged Trading?

4.1. Leverage is defined as the ratio of the amount of capital used in a transaction to the required margin. In other words, leverage gives you the ability when trading to control much larger amounts in a trade with only a relatively small deposit (your margin).

> **For example**, *if the EUR/USD rate moves up 100 pips from 1.13050 to 1.14050 and you had invested $1000 without leverage, you would have made $10 on that trade.*
>
> *Thus, by using a leverage of 1:100, every $1 you invest is worth $100, so with your $1000 margin you can open a $100,000 deal. So, for this example, your $10 profit is magnified to $1000.*

4.2. Another way to think about leverage is to think of it as a loan. If you have $1000 and take a 'loan' that equates to $100 for every one of your dollars, you have $100,000 to trade with. Once your trade has been concluded, you return the 'loan' amount and keep the resulting profit.

4.3. **It is important to note that high leverage can significantly increase the potential return, but it can also significantly increase potential losses.**

4.4. Leverage in forex and CFD trading is often considered a double-edged sword since large price swings on accounts with higher leverage increase the chances of triggering your stop loss. Because of that, most beginner traders might prefer to start off using minimal leverage to get an idea of how to use proper risk management in order to minimise losses. More experienced traders may use higher-leverage accounts to maximise their wins and benefit from that advantages that forex has over other financial markets.

4.5. Please see below an explanation on our "Negative Balance Protection" where we guarantee that you cannot lose more funds than what you have invested.

B. Leverage and Margin

4.6. Leverage is variable as a ratio. This means that you, as our client, can trade with amounts many times higher than you could invest in a particular CFD if we would not provide the possibility to trade on margin.

4.7. Sometimes the Leverage is expressed in percentage terms – and referred to as '**Margin Requirement**'. For example, a leverage of 1:30 is a Margin Requirement of 3.3333%.

> **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.*

4.8. "***Margin***" refers the amount of cash or collateral (if applicable) required to maintain the present open margin position(s) in Clients' Accounts. Collateral is calculated after taking into account any profit or loss on a Client's open positions.

4.9. The Margin Requirements may differ from product to product within the same class of products, and may vary from time to time. The Margin Requirements for each product are described in the respective Trading Conditions on our Electronic Trading Platform(s). The minimum **Initial Margin** requirements (*i.e.*, the percentage of the purchase price of a CFD that must be covered by cash when opening a position in the relevant CFD) are directly related to the maximum 'leverage' ratios applicable to the transaction in question.

C. *What is Required/Initial Margin?*

4.10. '**Required Margin**' is a percentage of the full value of a position that you, as the Client must have as collateral in order to open a CFD position, also referred to as the '**Initial Margin**'. The Required Margin per position is derived from the following formula:

(Amount * Instrument Price) *Required Margin %.

<u>Example:</u> *You intend to buy a CFD on 10 barrels of oil at a price of 51.30 per barrel. The Initial Margin % on the Oil CFD is 10%. The spread on the Oil CFD is $0.03. Your Required Margin is calculated as follows: (10 * 51.30) *10% = $51.30*

4.11. For the purposes of calculation of the Required Margin, the "Initial Margin %" is determined by the Company in its sole discretion in respect of each underlying Financial Instrument and is specified in the respective Trading Conditions on our Electronic Trading Platform(s).

D. *Margin Requirements*

4.12. No leveraged transaction in margin-based instruments is permitted to be opened, if the Client does not have sufficient **'Free Margin'** available in the Client's Account to satisfy the margin requirement for that transaction at the time the order is placed. Clients must also satisfy all ongoing margin requirements as a condition to maintaining each open position in margin-based instruments.

4.13. Margin requirement shall apply throughout the term of an open margin position. It is the Client's responsibility to continuously monitor and ensure that sufficient margin is available in their Account(s) at all times. Clients further acknowledge that losses can be far greater than the amount of funds placed in their Account for open margin position.

4.14. Clients have a continuing obligation to deposit margin to their Account(s) to ensure that their Account(s) value, *i.e.* cash available adjusted for value of positions, and transactions not yet booked, is equal to or greater than the margin requirement for all their open leveraged positions, or open positions.

4.15. For the avoidance of doubt, Clients are obliged, at all times, to meet all margin requirements, which are subject to change at any time and without notice to them. If a Client believes that it cannot or will not be able to meet margin requirements, open positions should be reduced or adequate funds should be transferred to the Client's Account(s) immediately.

4.16. If, at any time while the Client has an open margin position, the margin available in the Client's Account(s) is not sufficient to cover the total margin requirement(s), the Client is obliged to reduce the amount of open margin positions or undertake such other adequate action to satisfy the margin requirements immediately.

4.17. Where there is any shortfall in a Client's margin available to meet the margin requirements for all of the Client's positions, the Company reserves the right, in its sole and absolute discretion, to close or terminate one, several, or all of the Client's open positions immediately, subject to available liquidity, with or without notice to the Client.

E. Change of Margin Requirements

4.18. We reserve the right to modify the Margin requirements applicable to any new (but not existing) positions of our customers for the purpose, inter alia, of preventing abusive trading and managing our market exposure in the following circumstances:

a) We may change the Margin requirements applicable to any positions opened less than 1 (one) hour before the closing of the market of the underlying Financial Instrument (or other instrument) of the CFDs;

b) We may change the Margin requirements applicable to any positions opened less than 1 (one) hour after the opening of the market of the underlying Financial Instrument (or other instrument) of the CFDs;

c) We may change the Margin requirements applicable to any positions opened less than 1 (one) before and after any schedule earnings reports or announcements by the issuers of the underlying Financial Instrument (or other instrument) of the CFDs;

d) Where changes in Margin are necessary to control our total market exposure.

4.19. Notwithstanding, and without prejudice, to the above, we reserve the right to alter the timeframes for Margin changes stipulated above in the event of unforeseen changes in the market conditions or where it is otherwise necessary to prevent abusive or manipulative trading. You are advised to monitor our Electronic Trading Platform and our Website for up-to-date information regarding the Margin requirements applicable to your trades.

4.20. 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.

4.21. Exceptionally, the margin requirements of an open trade may be changed if the Company reasonably considers that the risk of the trade has increased as compared to the date of opening.

5. INTRODUCTION TO 'MARGIN LEVEL'

5.1. The 'Margin Level' indicates how close your account is to a margin call. It is calculated as **Equity/Used Margin x 100%.** The Margin Level is expressed as a percentage "%". 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.

5.2. 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 Client Agreement – Terms and Conditions of Business that is applicable between you and us, it is your responsibility to monitor at all times the Margin Level and take relevant actions.

5.3. 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.

A. *What is Equity?*

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

B. *What is Used Margin?*

5.5. **'Used Margin'** indicates the sum of margin being used by your current open positions. It is calculated by adding the Initial Margins of all your open positions.

Example of Used Margin: *You open a position of 1,000 EUR/USD at 1.11750. Assume that the initial margin requirement is 3.3333% (i.e. a leverage of 1:30).*

The margin used for your position is calculated as follows:

*(1,000*1.11750)/30 = $37.25*

In addition, you open a position of 5 units of the Apple CFD at 107.70. Assume that the initial margin requirement is 20% (i.e. a leverage of 1:5). So, the initial margin used for this position is calculated as follows:

*(5*107.70) * 20% = $107.70.*

Therefore, the total Used Margin that you see in your account with us is $37.25 + $107.70 = $144.95

Example of Used Margin when hedging positions: *Assume your account leverage is 1:30.*

*You open 0.10 lots long position on EUR/USD at 1.17795. Assume that the initial margin requirement is 3.3333% (i.e leverage of 1:30). The Used Margin for this position is $392.65 (Lots*Contract Size*Opening price)* Required Margin %.*

If you decide to hedge this position, meaning to open a short position on the same asset, you will not be required to have additional Used Margin. This is because when you have two opposite direction positions on the same asset, the Used Margin is calculated half for each position.

In our example, if you open additionally 0.10 lots short position on EUR/USD at 1.17827, then the Total Used Margin for both position will be calculated as follows:

*<u>Short Positions</u>: (Lots*Contract Size*opening price)*3.3333%/2 = (0.10*100,000*1.17795)* 3.33%/2 = $196.33.*

*<u>Long Position</u>: (Lots*Contract Size*opening price)*3.3333%/2 = (0.10*100,000*1.17827)* 3.33%/2 = $196.38*

Total Used Margin = $196.33 + $196.38 = $392.71

C. *What is Free Margin?*

5.6. Free Margin is the sum of funds you have available to use as Required Margin for new positions. This is calculated by subtracting the Used Margin for your current open positions from your Equity.

D. *What is Maintenance Margin?*

5.7. '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, the 'Margin Close out Level' will be met and your open position(s) will start liquidating, without any notice by us to you, starting by the least profitable position(s). The Maintenance Margin is calculated as percentage of the Used Margin. Our default Margin Close Out Level is set at 30%.

E. *What is Margin Level?*

5.8. The 'Margin Leve'l is calculated by dividing the current Equity and the Used Margin and multiplying the outcome by 100%.

Margin Level %= (Equity / Used Margin) * 100%

5.9. The margin requirement is specific for each asset class/instrument and can be found in the respective Trading Conditions on our Electronic Trading Platform(s).

5.10. Please remember that, as mentioned in **<u>paragraphs 4.18 *et seq.*</u>** above, we reserve the right to change at our sole discretion the margin requirements applicable to any new (but not existing) positions, without prior notification to you, based on actual or expected (in our opinion) market volatility or our view of market conditions in general.

6. OUR MARGIN CALL POLICY

6.1. We advise you that it is your sole responsibility to monitor the margin level of your positions in real-time via your Electronic Trading Platform(s).

6.2. In the event that your margin level becomes equal to or lower than 100%, you will not be able to open any new positions. This is because in such an event your Free Margin will be equal to zero (when the Margin Level is at 100%) or negative (when the Margin Level lower than 100%).

6.3. In the event that your Equity falls below 100% of the Used Margin of your account, we may send you an email, an SMS or a push notification. This notification acts as an early warning of the performance of your open positions with us. Please note that this is an additional service from us to you and does not create any obligation or responsibility on us, for either the performance of your trading account, or for notifying you of the current margin level and the action that you may wish to take. Please therefore monitor the performance of your positions on an ongoing basis and take the action you consider appropriate.

6.4. As mentioned above, the 'Margin Close-Out Level or MCO Level' is the minimum level you need to maintain for your open position(s).

6.5. Should your margin level fall below the minimum of 30% Margin Close-Out Level or MCO Level, automatic 'Margin Close–Out ("***MCO***")' will occur. This means that open positions will start closing according to Margin Close–Out rules and any pending orders will be cancelled.

6.6. IN THESE CIRCUMSTANCES, YOU WILL RECEIVE A 'STOP OUT' AND ANY OPEN POSITIONS IN THE ACCOUNT WILL START LIQUIDATING, WITHOUT ANY NOTICE, STARTING FROM THE POSITIONS WITH THE HIGHEST LOSSES, FOLLOWED BY THE NEXT LARGEST, AND SO ON UNTIL THE ACCOUNT HAS REACHED THE APPLICABLE MINIMUM REQUIRED MAINTENANCE MARGIN AGAIN.

6.7. Closure of positions will be done based on best execution prices available on the Company's electronic Trading Platform(s) at that time. Clients will be responsible for placing their own Stop Loss Orders to minimize losses.

6.8. Relevant actions Clients can take in these circumstances to restore their Margin Level include:

a) Closing or hedging some of the open positions.

b) Depositing more funds that can help in averaging down their positions.

c) Adjust the leverage ratio, (if it is possible) so that less Initial/Required Margin is required.

6.9. Once an Account reaches a Margin Call warning level, it is possible that the Margin level could increase above the Minimum Required Maintenance Margin level. Should this happen, the Margin Call process will reset. If the Margin Call Warning levels are reached again, the Margin Call process will start again.

6.10. 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.

6.11. We may, in our sole discretion and without being obliged to do so, also alert Clients via email, SMS or push notification that they are getting close to automatic trade liquidation of their positions.

6.12. In addition, we may, from time to time, in our sole discretion and without being obliged to do so, contact Clients and request that they deposit additional cash or collateral (if applicable) to secure their obligations to the Company.

6.13. Any such 'Margin Call Warning Notification' or call for additional Margin shall not be deemed precedent for future calls, nor future waivers of liquidation rights by us.

6.14. We shall NOT be liable for any failure to contact Clients with respect to a Margin Call. The Company reserves the right to change the terms and conditions of any Margin Call based on market conditions, with or without notice to Clients. The Company's right to close-out Clients' open positions shall NOT be limited or restricted by any Margin Call Warning Notification if, when or how it was sent. As previously indicated, these notifications are on a best endeavors' basis and we are NOT legally obliged to send the Client a Margin Call Warning Notification at all or within any specific time period, as Clients are fully responsible for constantly monitoring the margin utilization status of their Account(s).

6.15. Margin Call Warning Notifications may be made at any time and in any way permitted under the terms of this Policy.

6.16. Clients may access details of their margin utilization status by logging into their Account. Clients expressly acknowledge and agree that:

a) they are solely and ultimately responsible for monitoring and providing the required margin at all times for all their open positions;

b) their obligation to provide the required margin will exist whether or not they have received a Margin Call Warning Notification; and

c) they are obliged to pay interest on, and settle, all debit balances in their Account on demand.

6.17. The pre-trade margin requirement(s) for each CFD instrument is/are displayed in the Trading Conditions window of the Company's Electronic Trading Platform(s), while the Account Details window displays the Margin status in the Client's Account(s), including the post-trade margin requirement(s). In some instances, however, we may, in our sole discretion and without being obliged to do so, notify Clients of the margin requirements through alternative means.

6.18. WHILE THE COMPANY TAKES REASONABLE STEPS TO NOTIFY CLIENTS AS THEIR TRADING ACCOUNT FALLS INTO MARGIN CALL, IT IS EACH CLIENT'S OBLIGATION TO MONITOR THEIR TRADING ACCOUNT(S) AND AT ALL TIMES ENSURE THEY HAVE SUFFICIENT MARGIN OR FREE EQUITY AVAILABLE FOR ANY ADVERSE OR VOLATILE MARKET MOVEMENTS, AND TO TAKE ACTION TO EITHER REDUCE THEIR POSITIONS AND/OR TRANSFER MORE MONEY INTO THEIR TRADING ACCOUNT TO REDUCE THE RISK OF HAVING THEIR OPEN MARGIN POSITONS AUTOMATICALLY LIQUIDATED.

6.19. IT IS THE CLIENTS' RESPONSIBILITY, AND THEIR RESPONSIBILITY ONLY, TO REACT TO, AND COMPLY WITH, MARGIN CALLS AND TO SETTLE ANY DEBIT BALANCES INCURRED, IMMEDIATELY ON DEMAND.

7. THE COMPANY'S RIGHTS IN RELATIONS TO CLIENT ACCOUNTS

7.1. Without prejudice to any other provisions hereof, the Company reserves the right to close-out any or all existing open margin positions if a Client's trading Account reaches Margin Close-Out, even if the Client may have taken steps to reduce the size of open margin positions or undertakes any other action to satisfy the margin requirements, but those steps or actions are not sufficient or completed in time to meet the Client's margin requirement on an ongoing basis.

7.2. No Client will be exempted from automatic Margin Close-out. In order to avoid margin call and automatic Margin Close-Out due to shortage of available funds or free equity, Clients should ensure at all times that sufficient cash is available in their trading Account(s) for adverse market movements.

7.3. If a Client's Account is left with a negative balance after the Client's open positions have been automatically closed-out under margin call, interest will be charged on that deficit until the deficit is fully covered by the Client.

7.4. If a Client has opened more than one Account, the Company reserves the right to transfer money or collateral (if applicable) from one Account to another to meet that Account's margin requirements, even if such transfer will necessitate the closing of open margin positions or other trades in the Account from which the transfer takes place.

8. NEGATIVE BALANCE PROTECTION

8.1. The Company offers all of its Clients Negative Balance Protection on an Account per Account basis. This means that Clients can never lose more than the amounts available in their trading account. With this precautionary measure any losses that exceed a Client's overall account balance will be automatically reset to zero.

8.2. This means Clients will never lose more than they have deposited.

9. REVIEW AND AMENDMENTS

9.1. The Company reserves the right to review and/or amend this 'Leverage, Margin, Margin Call and Margin Close-Out Policy' and any related arrangements and/or policies, in its sole discretion, whenever it deems fit or appropriate or as required to comply with applicable laws, rules and regulations.

9.2. The Company shall ensure that this 'Leverage, Margin, Margin Call and Margin Close-Out Policy' and any related arrangements and/or policies are implemented and monitored on a periodic basis to ensure their effectiveness and compliance with applicable laws, rules and regulations.

9.3. In particular, the Company is set to review this 'Leverage, Margin, Margin Call and Margin Close-Out Policy' and any related arrangements and/or policies at least annually, and, where appropriate, on an ad hoc basis to ensure it complies with applicable rules and regulations.

9.4. When 'this Leverage, Margin, Margin Call and Margin Close-Out Policy' is modified (hereinafter referred to as "***Change(s)***") we will post such Changes on our Website(s) and/or otherwise notify our Clients of such Changes. Each such notification shall be deemed as sufficient notice and it is our Clients duty to consult and/or to check regularly this 'Leverage, Margin, Margin Call and Margin Close-Out Policy' on our Website(s) regarding any such Changes. Therefore, Clients are encouraged to review this 'Leverage, Margin, Margin Call and Margin Close-Out Policy' from time to time so as to ensure that they are aware of any Changes.

10. FURTHER QUESTIONS AND CONTACT INFORMATION

10.1. Questions regarding this 'Leverage, Margin, Margin Call and Margin Close-Out Policy' should be addressed, in first instance, to our Customer Support Department, via e-mail at: supportpros@finpros.com, or by phone via the telephone numbers, you will find on the Contact section of our Website.

10.2. You may also contact our Brokerage Department; the contact telephone number is available on our Website.

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