Leverage and Margin Policy

1. Purpose

CAPITAL COM SV INVESTMENTS LIMITED (the "Company") is authorized and regulated by the Cyprus Securities and Exchange Commission ("CySEC") as a Cyprus Investment Firm (License No. 319/17). The Company is authorized to provide investment and ancillary services with regards to specific financial instruments as stated in its CySEC License.

This Leverage and Margin policy (the "Policy) sets out the leverage and margin levels and procedures applicable to contract for difference ("CFD") transactions between the Company and its clients. Fair treatment of our clients is one of the pillars our Company is set up on. To achieve fair treatment the current Policy guarantees that the leverage and margin levels applicable by the Company reflect the knowledge and experience of our clients and are not a representation of aggressive leverage policies that often lead to clients suffering huge losses. Moreover, the Policy is designed to match the Company's risk appetite and risk accepting limits as defined by the Company's Board of Directors.

The Company reserves the right to introduce changes to this Policy from time to time.

This policy will be reviewed and approved by the members of the Board of Directors, at least on annual basis or whenever a material change occurs. Any updates on this policy either due to material changes or due to updates in the legislative requirements is approved by the board of directors of the Company.

2. Legal and Regulatory Framework

Part 2 of the Investment Services and Activities and Regulated Markets Law 87 (I)/2017 as in force (hereafter "the Law") in relation to the requirements resulting from the investor protection topics;
CySEC Circular C282, concerning the provision of CFDs and other speculative products to retail investors under MiFID;
Announcement of ESMA on product intervention measures relating to CFDs and Binary options as well as ESMA Questions and Answers relating to the provision of CFDs and other speculative products to retail clients;
CySEC Circular C168 issued pursuant to the Q&A of the European Securities and Markets Authority about the provision of CFD's and other speculative products to retail investors;

Circular C271 of the Cyprus Securities and Exchange Commission for the ESMA Product intervention decision of CFDs and Binary options;
Directive DI87-09 for the restriction on the Marketing, Distribution or Sale of Contracts for Differences (CFDs) to Retail Clients.

The Company has proceeded with the appropriate measures to ensure compliance with the above-mentioned legal and regulatory framework.

3. Risks Involved

Trading CFDs is a form of Leveraged Trading and is highly speculative, complex and involves a significant risk of loss and is not suitable for all investors. CFDs are among the riskiest types of investments and can result in large losses.

Before deciding to trade CFDs a client should carefully consider his/her investment objectives, level of experience and risk appetite. While trading CFDs a client can sustain a partial or full loss of his/her initial investment. Clients should be aware of all the risks associated with trading CFDs and seek advice from an independent financial advisor if they have any doubts. CFDs are not suitable for "buy and hold" trading, therefore if a client does not have enough time to monitor such investment on a regular basis, he or she should not trade in CFDs.

Special Statement for Residents of Spain: The Company offers CFDs trading. CFD is a product that is complex and difficult to understand. The National Securities Market Commission of Spain (Comisión Nacional del Mercado de Valores) has determined that, due to the complexity of the CFDs and the risks involved, the purchase of CFDs by retail investors is not appropriate/suitable. A CFD is also a leveraged product and the losses incurred may be greater than the amount initially invested. Amount initially invested corresponds to the initial margin required to open a position.

4. Definitions

4.1. "Equity" is the sum of net invested funds plus realized profit & loss plus unrealized profit & loss plus/minus any other cash transactions.

4.2. "Leverage" is the ratio showing by how many times the purchasing power of deposit is increased. E.g., a leverage of 1:30, means that for a $1,000 deposit you can open trades worth maximum of $30,000 (1000 x 30).

4.3 “Margin Rate” is the ratio of amount of money needed to open a position, to the actual market exposure of that position.

4.4. “Leveraged Trading” or “Margin Trading” means that the client can trade amounts significantly higher than his deposit.

4.5. “Cash Required” is the amount of money needed to open and maintain a position. It is derived by:

*Cash Required = (Volume * Underlying Instrument Price) / Leverage or*

*Cash Required = (Volume * Underlying Instrument Price) * Margin Rate*

The Cash Required fluctuates with the changes in price of the underlying asset.

4.6. “Available” are the funds available for opening new positions.

4.7. “Margin” is the sum of Cash Required for all open positions and pending orders.

4.8. “Margin Level” is a percentage derived by:

ML = Equity / Margin

4.9. A "Margin Call" takes place when the client’s Margin Level is at or below 100% and the Company sends its client a notification that he/she needs to either delete pending orders to free up margin, or close some positions, or deposit more funds in his/her account to maintain the relevant positions open.

4.10. A "Close Out" takes place when the client's Margin Level is at or below 50%, and the Company decides to exercise its right to liquidate client's open positions on a gradual basis subject to clause 5 below.

If a sudden market movement causes the Margin Level to drop from above 100% to below 50% the Company may liquidate the client's open positions without sending a notification to the client that his/her Margin Level is at or below 100%.

5. <u>Margin</u>

The Client shall provide and maintain Margin in accordance with the terms of this Agreement to secure Client’s obligations to the Company.

The Client must maintain at all times the minimum Margin requirement for the Open Positions in Client's Account.

The Margin shall be paid in a currency acceptable by the Company and such Margin deposits will be treated as Client's funds in accordance with the terms of this Agreement and the provisions of the legal framework. It is the Client's responsibility to understand the Margin requirement mechanisms and reference shall be made to the Company's Website.

The Client needs to continuously monitor any Open Positions in Client's Account in order to avoid them being closed due to unavailability of funds, taking into account that the Company is under no obligation to make calls for margin. The Company will endeavor to notify the Client, as soon as it is reasonably practicable for the Client's convenience.

In the event that the Client fails to react to a Margin Call, the Company reserves the right to immediately close the Client's Open Positions at current market price and/or (in case of use of capital.com trading platform) cancel the pending orders, as margins are reserved for pending orders. Both actions are possible without obtaining the consent of the Client.

When the minimum margin level of 50% is reached in the Capital.com trading platform the positions and/or orders are closed out in the following order until minimum Margin requirement is restored:

1) all pending orders are cancelled,

2) If the Margin Level is still below 50%, then all losing open positions on open markets are closed,

3) If the Margin Level is still below 50%, then all remaining positions on open markets are closed,

4) If the Margin Level is still below 50%, then everything else is closed, as soon as the markets open.

When the minimum margin level of 50% is reached, in the MT4 trading platform the positions and/or orders are closed out one-by-one starting from the most losing open position until the margin level reaches above 50%.

Any failure by the Company to enforce its rights hereunder shall not be deemed as a waiver of such rights by the Company and the Company maintains the right to liquidate Client's Open Positions in case of inadequate funds without calling Margin.

6. Leverage

The European Securities and Markets Authority (ESMA) and CySEC have formally adopted measures on the provision of contracts for differences (CFDs).

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.

If under the legal and regulatory requirements of certain foreign jurisdictions that are relevant for the Company's activities the maximum leverage for affected clients is capped at a level lower than made available, the Company will offer the affected clients the maximum leverage prescribed by the laws and regulation of that foreign jurisdiction (i.e. apply the maximum leverage that is lower than the one made available, but limit such application only to the affected clients).

Please note that if residents of Spain or Poland decide to trade, a set of additional rules and procedures will become applicable. Such set of additional rules and procedures can be found in sections 12 & 20 of the Company's Terms & Conditions.

7. Leverage and Margin Ratios

The leverage and margin ratios per underlying asset depend on the underlying asset's historical performance, volatility, liquidity, market capitalization and other characteristics. The ratios will also reflect the Company's financial strength and risk appetite and general economic climate and factor in the margin requirements imposed by its liquidity providers. Regulatory limitations applicable to margin rates will be taken into account and complied with by the Company at all times.

Important: The Company reserves the right to decrease leverage (i.e. increase margin rates), for specific financial instruments, in relation to the prevailing market conditions. Where possible, the Company will provide its clients with a 3 (three) business days' notice of such changes, to allow the client to take appropriate measures. Changes in rates may be caused by:

a) expected release of major announcements (elections, referendums);
b) periods of low liquidity in the markets (holiday season);
c) periods of abnormal market volatility; or
d) any other situation which at the sole discretion of the Company justifies a change.

In addition, the Company reserves the right to decrease leverage (i.e. increase margin rates), for specific client accounts, on a case by case evaluation. The Company might exercise this right at its sole discretion in cases where the trading style of specific accounts justifies such change, or in cases where a client account exceeds the Company's acceptable risk limits. The Company shall inform the client of such change.

Negative Balance Protection

It is possible for adverse market movements to result in the Company's clients losing more than their account balance. In this case, the Company will bear the negative consequences of such adverse events and any of the clients' losses will be limited to their then current account balance. For more information please refer to the Terms and Conditions.

Leverage and Margin Policy V8.0_ 2021 01 20