Holiway Investments

LEVERAGE POLICY

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LEVERAGE POLICY

1. Introduction

Holiway Investments Limited ("Holiway Investments Limited", the "Company) is a Cyprus Investment Firm licensed and regulated by the Cyprus Securities and Exchange Commission ("CySEC") under license number 248/14 obtained on 10/10/2014. The Company is located at 30, Tempon Street, Egkomi, CY-2408 Nicosia.

2. 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 with margin 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**.**

3. Leveraged

A leveraged FX contract is a margined over the counter (i.e. not executed on an exchange) trade between you and us -where the price is determined by reference to the exchange rate between the currency pair that underlies the contact ("FX Contract"). Moreover, FX Contracts are classified in the EU as investments and firms offering to deal in them are required to be authorised and regulated.

a) 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 1:30 is a margin requirement of 3.33%.
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.**

b) What is a Spread?

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

Example: **<u>If the quote for the EUR/USD pair is 1.2910 against 1.2913, then the spread is 3 pips</u>**

c) 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: **<u>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 1:10. The spread on the Oil CFD is $0.03. Your Margin requirement is calculated as follows: (10 * 51.30) / 10 + (10 * 0.03) = $51.60</u>**

d) What is Equity?

In a nutshell, "Equity" can be defined as the value of your portfolio with us. Effectively it is the value of your funds with Holiway Investments Limited (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.

4. General Information

These FX Supplemental Terms set out the terms and conditions of our FX Contracts and they form part of the Agreement with you.

Unless separately defined in these Supplemental Terms, words and expressions shall have the same meanings given to them in the General Terms.

Trades in FX Contracts may be placed through the Trading Platform or as otherwise permitted in accordance with our General Terms and Conditions.

We may convert the value of any Open Position denominated in one currency to another currency for Account valuation and other purposes under our General Terms and Conditions.

All Trades and Open Positions resulting from an FX Contract continue until closed by you or us in accordance with the General Terms. FX Contracts, are not automatically closed or rolled on a daily basis.

5. Legal Framework and the Approval by our Board of Directors

This Policy is issued pursuant to, and in compliance with the requirements of EU Directive 2004/39/EC of 21 April 2004 on Markets in Financial Instruments ("MiFID") and the Investment Services and Activities and Regulated Markets Law of the Republic of Cyprus which transposed MiFID into Cyprus legislation.

Furthermore, this Policy complies with Circular 168 of CySEC issued pursuant to the Questions and Answers Document of the European Securities and Markets Authority ("ESMA") issued on 11 October 2016 with reference ESMA/2016/1454 with respect to the provision of CFDs and other speculative products to retail investors under MiFID.

This Policy has been approved by our Board of Directors and in this policy, we collectively refer to all the above legislations, regulations and guidelines as "Regulations".

6. 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.

7. Our Commitment and Leverage Ratios for Different Asset Classes and CFDs

Treating Customers fairly is vital to our corporate culture and ethos and attitude.

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 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.

Besides, a Leverage Policy will be established, documented within the Company's Internal Procedures/ Operations Manual, and approved by the Board of Directors. Through the Leverage Policy, the Company should identify how leverage ratios are established having regarded to factors like:

1. The capital base and financial strength of the Company.
2. The risk appetite and risk management of the Company.
3. The asset class and instrument characteristics, including among others liquidity and trading volumes, volatility and standard deviation, market cap, country of issuer, hedging capabilities, general economic climate and geopolitical events.
4. The regulatory requirements and caps as set by CySEC.

More specifically, in accordance with the provisions of Circular 168 imposed by CySEC, the Company as per the relevant legislative requirements, has a duty to act honestly, fairly, professionally and in the best interests of its clients when dealing with them. CIFs offering excessive leverage to Retail Clients are unlikely able to demonstrate that they are acting in the best interests of Retail Clients. In relation to Leverage and Margin, the Company is required to ensure that:

E. The lower leverage limit, which should be reasonable and not greater than the cap of 1:30, should be, by default offered to Retail Clients for the Major currency pairs (FOREX).

F. In addition, leverage 1:20 shall be offered by default to Retail Clients, for non-major currency pairs, gold and major indices.

G. For retail clients, a lower leverage limit which cannot exceed a default level of 1:30 or 1:20 where appropriate applies. The client will have to pass the suitability test, which is a different set of multiple choice questions, which he/she will need to score at least 3/5 so us for the client to be enabled to be entitled to the 1:30 leverage given by default. The suitability test will have to be completed within 1 (one) minute. This is done so as for the company to be satisfied with the retail client's knowledge and experience in trading in complex financial instruments like CFDs, for the client's security.

H. If the client fails the suitability test, he will be provided with educational material via email. He will be given three working days (3) to study the material and after these three days passes, if the client still wishes, he/she will be enabled to redo the test.

I. Statistical records with the outcome of the appropriateness assessment and suitability test performed to clients will be kept. Such records shall include, *inter alia,* the clients who have passed, or not, the appropriateness test and how many clients have proceeded, or not with transactions, despite the failure.

J. Negative balance protection will be set (i.e. maximum clients' loss will never exceed the clients' available balance).

8. 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, except where the client requests so, then the client will need to submit a confirmation for the provision of investment advice services.

a) 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.

b) What is 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" and is the same as the Close Out we refer to above. If your Maintenance Margin reaches 50%, your positions will start to liquidate starting from the position with the highest losses.

Example: **You have an open position on EUR/USD with used margin of $500. Your Balance is $10,000 and your Equity $900. This means that your maintenance**

margin is at 180% (Equity of $900 divided by Margin used of $500). If your floating loss reaches -$9,750 this means that your equity will become $250. Therefore, your maintenance margin will be 250/500 = 50% and a Margin Close Out will take place.

c) What is Used Margin?

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: **You open a position of 10,000 EUR/USD at 1.1175.**
Assume that the initial margin requirement is 3.33% (i.e. a leverage of 1:30).
The margin used for your position is calculated as follows:
(10,000*1.1175)30 + 10,000*0.0002= $374.50

In addition you open a position of 100 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:
(100*107.7)/5 + 100*0.07 = $2.161

d) What is Margin Level?

A margin level is calculated by dividing the current Equity and the Used Margin.
Margin level %= (Equity / Used Margin) * 100
The margin requirement is specific for each asset class/instrument and can be found here.
Please note that we reserve the right to change at our sole discretion the margin requirements with **24hrs prior** notification to you, based on actual or expected (in our opinion) market volatility or our view of market conditions in general.

Example: **Your Equity is: $1,000**
Your wish to open a Buy position of $100,000 vs. CHF
Margin requirement: If for the USD/CHF pair, the margin requirement is 3.33% which equals $3.330. Margin Level
%: ($1,000 / $500) * 100 = 200 %

e) Our Margin Requirement

To place a Trade which creates an Open Position in a FX Contract the Margin Requirement is calculated as follows:
(Quantity x Our Price) x Margin Factor

The Margin Requirement will be calculated in the currency of the FX Contract but will be expressed in the Base Currency of your Account. Margin Requirement will change as the exchange rate between your Base Currency and your traded FX Contract changes.
If you have both long and short positions in the same underlying currency pair, the Margin Requirement is calculated as follows:

a) Calculate (Quantity x Our Price) x Margin Factor of the aggregate of all Long Positions in the same underlying currency pair
b) Calculate (Quantity x Our Price) x Margin Factor of the aggregate of all Short Positions in the same underlying currency pair
c) The Margin Requirement is the greater of a) or b)

The Margin Requirement will be calculated in the currency of the FX Contract but will be expressed in the Base Currency of your Account. Margin Requirement will change as the exchange rate between your Base Currency and your traded FX Contract changes.
For a Trade which creates an Open Position that is subject to a Margin Multiplier: the figure calculated under paragraph 4.1 or 4.2 above (as applicable) x Margin Multiplier.

If other conditions apply to the Margin Requirement we will advise you at the time you place the Trade.
When you execute a Trade, which results in a Long Position, we will use our Bid Price to calculate the Margin Requirement.
When you execute a Trade, which results in a Short Position, we will use Our Offer Price to calculate the Margin Requirement.
We reserve the right to refuse to execute a Trade if your Margin Level is insufficient to fund the Margin Requirement, any Unrealised P&L created by Our Spread and any costs associated with the Trade.
You are responsible for monitoring your Margin Level and ensuring that it is sufficient to maintain your Open Positions. Your Margin Level must be sufficient to fund the amount:
Total Margin; Fees and charges, including the Daily Financing Fee (if applicable) require to maintain and close your Open Positions; Unrealised Losses; and Any New Open Positions you wish to create.

9. Our Price

For an FX Contract, Our Price is the price of the first named currency expressed in terms of the second named currency.
For example, in the case of the EUR/USD currency pair, if Our Bid Price is 1.3546 and our Offer Price 1.3548, this mean that you can either buy USD and therefore sell EUR at 1.3546 (our bid price) or sell USD and therefore buy EUR at 1.3548 (our offer price).

10. Fees and Charges

The basis of calculation of Daily Financing Fees is set out in the Key Service Features. We may vary the method of calculating the Daily Financing Fees and/or commission. When we do so we will give you notice in accordance with clause 28 of the General Terms ("Amendments and Termination").

The cost of Daily Financing Fees and commissions will be converted to your Account Base Currency and on certain assets will be debited from (for Long Positions) or may be credited to (for Short Positions) your Cash. In other words: If you leave an open position for the next trading day, you pay or you obtain the certain amount, calculated on the basis of interest rates difference of two currencies in currency pair. This operation is called "swap." In the trading terminal, "swap" is automatically converted into the deposit currency. The operation is conducted at 00.00 (GMT+2 time zone, please note DST may apply) and can take several minutes. From Wednesday to Thursday swap is charged for three days. A table with short and long swaps to be provided on our website and will be updated according to the current interest rates apply by central banks.

CFDs on Cash Indices will be subject to dividend adjustments. When a constituent member of an index pays Dividends to its Shareholders, dividend adjustments will be made to accounts of clients holding a position on the index at 00:00 (GMT+2 time zone, please note DST may apply) on the ex-Dividend Date. CFDs on Germany30 (GER30Cash) is not subject to dividend adjustments. CFDs on Future indices are also not subject to dividend adjustments.

Buy trades will receive an amount calculated as follows:

Dividend adjustment = Index Dividend declared x position size in Lots

Sell trades will be **charged** an amount calculated as follows:

Dividend adjustment = Index Dividend declared x position size in Lots

11. Profit and Losses

Profits and losses for an Open Position will be credited or debited as Unrealise P&L. Unrealised Profits will allow you to place additional Trades but cannot be withdrawn until you close the Open Position. Unrealised Losses will reduce the amount you have available to place new Trades and may result in your positions being closed under clause 10 of the General Terms ("Margin Close-Out Level").

When an Open Position is closed, Realised Profit or Realised Loss is calculated as: (the difference between the opening and closing price) x Quantity.

Realised Profits or Realised Losses will be credited to or debited from your Cash Balance.

12. Negative Balance Protection

We offer all our clients Negative Balance Protection. This means that our clients will never lose more than the amounts you invested with us.

13. Taxes

We do not withhold any sums for tax purposes for FX Contracts. You are responsible for the payment of all taxes that may arise in relation to your Trades and recommend that for all personal Tax enquires relating to Tax arising from Trading, that you seek independent financial advice.

14. Risk Warning Notice

A high degree of "gearing" or "leverage" is associated with trading our Products. This stems from the margining system applicable to our Products. This stems from the margining system applicable to our Products which generally involves a comparatively modest deposit of the overall contract value to open a Trade. This can work for you and against you. A small price movement in your favour can result in a high return on the money placed on deposit; however, a small price movement against you may result in substantial losses, possibly more that money placed on deposit. Prices can move quickly particularly at times of high market volatility (see below) and, if these price movements are unfavourable to your Trade(s), you could quickly build up significant losses.

If you do not maintain enough funds in your Account to satisfy your Margin Requirements, we may close any or all of your Open Positions (in some circumstances without warning). If we do this, your Open Positions may be closed at a loss for which you will be liable.

15. Conflicts of Interest

In line with our culture and policy of treating customers fairly, we hereby remind you that we may be the counterparty to your trade. This means that when your Initial Margin reduces, in those cases where we may be the sole counterparty to your trade, then any losses that you incur may reflect profits for our account. Correspondingly, if you register profits for your trades, in such cases we incur losses.

16. 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.

17. New Rules by Foreign Jurisdictions CIF's should comply with

Further, to C221 CySEC's circular, there are new rules set by the Polish Financial Supervision Authority Poland (the "KNF") regarding persons that are allowed to provide activities in the territory of Poland. Services offered in the territory of Poland may only be conducted by a (foreign) investment firm, or an agent of a (foreign) investment firm (supervised intermediary acting in the name and on behalf of the investment firm).
The only exception is where the above listed activities may be conducted by entities other than a (foreign) investment firm or an agent of a (foreign) investment firm only if the information is, at the same time, communicated to a broad group of clients or potential clients of the investment firm or to an indefinite recipient (e.g TV or radio advertisement).

Also, according to C210 CySEC's circular, there are new requirements of the Spanish Securities and Exchange Commission (the "CNMV") in regards to the provision of warnings on complex financial instruments to retail clients resided in Spain. CIF's are required to expressly warn retail investors resided in Spain about the risk and complexity of CFDs and rolling-spot forex with a leverage level greater than 10:1.

18. 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 binding on Holiway Investments Limited at all times.