



LEVERAGE POLICY

V.04 30th July 2018

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1. Introduction

Stocks Forex AF Limited (hereinafter, the “Company”) has established a Leverage Policy (hereinafter, the “Policy”). The Policy is in accordance with the requirements of:

- a) the Markets in Financial Instruments Directive of 2014/65/EU (MiFID II) as well as the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017)
- b) the Product Intervention measures of the European Securities and Markets Authority (hereafter the “ESMA”) in relation to the provision of Contracts for Difference which was published in the Official Journal of the European Union on 1st of June 2018.
- b) Circular C168 of the Cyprus Securities and Exchange Commission concerning the updated version of ESMA Q&A document relating to the provision of CFDs and other speculative products to retail investors under MiFID,
- b) The question and answer 1 of Section 8 of ESMA/2016/1165 relating to the provision of CFDs and other speculative products to retail investors under MiFID.

The purpose of this Policy is to determine the leverage granted to the Company’s clients, both professional and retail.

2. Commitment

The Company has a duty to act honestly, fairly, professionally and in the best interests of its clients when dealing with them.

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

- a) To set leverage levels that reflect the 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 have regard to its duty to treat the Clients fairly by avoiding aggressive leverage practices towards the Clients;
- 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.
- d) Given that the Company effectively provides the leverage for which the Clients trade, to have regard to the Company’s own risk management appetite and risk bearing capacity and to have in place policies, procedures and practices to manage the

Company's market risk emanating from such leverage and margin trading by its clients;

e) To apply regulatory requirements and caps as set by CySEC, ESMA or any other regulator in any jurisdiction the Company offers its services to.

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage.

83,08% of retail investor accounts lose money when trading CFDs with this provider.

You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

3. Policy

3.1 Professional Clients

Clients, who have been classified as "professional clients" either per se or eligible upon establishing a business relationship with the Company shall be granted the option to select leverage ratios of 1:25, 1:50, 1:100 or 1:200 based on the underlying instrument and this Leverage Policy.

The maximum leverage offered per asset class is:

- a) 1: 200 for FX.
- b) 1: 200 for commodities.
- c) 1: 200 for indices.
- d) 1: 100 for Bonds.
- e) 1:10 for stocks.
- f) 1:100 for ETFs.
- g) 1:5 for Cryptocurrencies.

For further details refer to the Company's website.

Professional Clients registered in Malta are restricted to a maximum of 1:100 leverage ratio.

3.2. Retail Clients

Clients, who have been classified as "retail clients" upon establishing a business relationship with the Company shall be granted maximum leverage of 1:30 based on ESMA's Product Intervention Measures, the underlying instrument and this Leverage Policy. In addition retail clients may never lose more funds than those deposited in their trading account (i.e. negative balance protection).

The leverage limits that apply to retail Clients from 30th July 2018 are:

- 30:1 for major currency pairs; (the major currencies are currency pairs

comprising any two of these currencies: USD, EUR, JPY, GBP, CAD and CHF)

- 20:1 for non-major currency pairs, gold and major indices;(the major indices are any of these equity indices: FTSE 100; CAC 40; DAX30; DJIA; S&P 500; NASDAQ; NASDAQ 100; Nikkei 225; ASX 200; EURO STOXX 50)
- 10:1 for commodities other than gold and non-major equity indices;
- 5:1 for individual equities, bonds and ETFs;
- 2:1 for cryptocurrencies

For further details refer to the Company's website.

The Company reserves the right to reduce leverage ratios for CFDs in financial instruments that may be the subject of actual or anticipated corporate actions, with or without notice to you, in order to address likely market and financial instrument volatility.

3.3 Margin close-out rule

The Company applies a margin close out rule on a per account basis. The rule standardizes the percentage of margin at 50% of minimum initial required margin at which the Company is required to close out one or more retail client's open positions on CFDs (stop out level).

3.4. Adjustment of Leverage (Professional Clients)

Clients shall be able to adjust the leverage lower at any point of time, under the provision that they do not have any open positions. In such an event, the Company shall notify the said clients that the adjustment of leverage will be effected after all open positions are closed, given that lowering the leverage when positions are open may result in a client losing his funds due to insufficient margin to sustain his position.

Clients are entitled to ask for a higher leverage by selecting the leverage level in their account. Higher leverage will be available only upon the Clients' request and will be executed at the Company's sole discretion.

2.4 Maximum Leverage

The maximum leverage the Company will offer shall be determined by the Risk Manager in coordination with the Compliance Function after his/her suggestion to the Board of Directors who shall either approve or reject (in either case justify their decision) the Risk Manager's suggestions.

The Risk Manager when setting the maximum leverage to be provided to clients shall take into account the following factors:

- a) The capital base and financial strength of the Company;
- b) The Risk Appetite of the Company;
- c) The Robust nature of the Company's risk management systems/procedures/policies;

d) The asset class and instrument characteristics including but not limited to: liquidity and trading volumes, volatility and standard deviation, market cap, country of issuer, hedging capabilities, general economic climate and geopolitical events;

e) The input of the Compliance Officer.

The Risk Manager shall perform regular reviews (at least annually) of the maximum leverage offered to Clients by reconsidering the abovementioned factors. The Risk Manager shall, where appropriate suggest to the Board of Directors to change the maximum leverage on offer who shall either approve or reject (in either case justify their decision) the Risk Manager's suggestion.