Leverage and Margin Policy

I. Introduction

Capital Com Group Ltd (the "**Company**", "**we**", "**Capital Com**") is a Cypriot Investment Firm (the "**CIF**") regulated by the Cyprus Securities and Exchange Commission (the "**CySEC**") for the provision of investment and ancillary services under the license number 463/25 and registered in the Republic of Cyprus. Our business and registered address is at 66 Christaki Kranou, 7th Floor, City Tower, 4042, Germasogeia, Limassol, Cyprus.

II. Purpose and Legal Framework

This Leverage and Margin Policy (the "**Policy**") sets out the leverage and margin levels and procedures applicable to Contract for Difference (the "**CFD**") transactions between the Company and its clients, based on the requirements set by:

- Part 2 of the Investment Services and Activities and Regulated Markets Law 87 (I)/2017 as in force (the "**Law 87(I)/2017**") in relation to the requirements resulting from the investor protection topics;
- Directive DI87-09 for the restriction on the Marketing, Distribution or Sale of Contracts for Difference (CFDs) to Retail Clients.

III. Applicability

This policy applies to Retail Clients. Negative balance and margin close out rule protections will be a default option for all elective professional clients. The Company reserves the right to remove negative balance protection and/or margin close out, decrease leverage (i.e. Increase margin rates), or vice versa, for specific elective professional client accounts, on a case by case evaluation. For further information, please refer to our Client Categorisation Policy.

IV. 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 trading in CFDs. CFD is a product that is complex and difficult to understand. The National Securities Market Commission of Spain (the "**Comisión Nacional del Mercado de Valores**" or "**CNMV**") considers that generally, CFDs are not appropriate for retail clients, due to their complexity and risks involved. A CFD is also a leveraged product and the losses incurred may be greater than the amount initially invested. The amount initially invested corresponds to the initial margin required to open a position.

V. Margin Close Out Protection

The Client shall provide and maintain Margin in accordance with the Company's Terms and Conditions 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 Company's Terms and Conditions 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, including hedged positions, are closed,

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

When the minimum margin level of 50% is reached, in the MT4/MT5 trading platform the positions and/or orders are closed out one-by-one starting from the most losing open position on open markets, including hedged positions, until the margin level reaches above 50%. If the margin level is still below 50%, then the remaining positions will be closed one-by-one starting from the

most losing open position, including hedged positions, as soon as the markets open.

Where a client holds a position with a Guaranteed Stop Loss (GSL) order, the GSL provides per-position protection by guaranteeing execution at the Client's chosen stop level. However, the account-level margin close-out rule described in this section operates independently of any GSL in place. If the overall margin level across all open CFD positions in the account falls to or below 50%, the Company may close one or more positions (including positions carrying a GSL) before the market price reaches the GSL stop level. In such circumstances, the position will be closed at the prevailing market price in accordance with the close-out sequence set out above, rather than at the GSL stop level.

In addition to the close-out mechanics described above, where a Client holds a CFD position with a Guaranteed Stop Loss order, the margin reserved for that position is the greater of: (i) the standard position margin, being the notional value of the position divided by the applicable leverage ratio; or (ii) the GSL margin amount, being the maximum loss at the client's chosen stop level, calculated as the distance between the open price and the stop level multiplied by the position size. Where the GSL margin amount is larger, it is that amount (not the standard position margin) that counts toward the total Margin used in the Margin Level calculation.

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.

VI. Leverage

The European Securities and Markets Authority (the "**ESMA**") and CySEC have formally adopted measures on the provision of 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 asset:

- 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.

Clients have the option to adjust their leverage limit to a lower level than the maximum leverage stated above.

Notes:

- Major currencies: Currency pairs comprising any two of the following currencies: US Dollar, Euro, Japanese Yen, Pound Sterling, Canadian Dollar or Swiss Franc.
- Non-major currencies: All other currencies are considered non-major.
- Major indices: Any of the following equity indices: Financial Times Stock Exchange 100 (FTSE 100); Cotation Assistée en Continu 40 (CAC 40); Deutsche Bourse AG German Stock Index 30 (DAX30); Dow Jones Industrial Average (DJIA); Standard & Poors 500 (S&P 500); NASDAQ Composite Index (NASDAQ), NASDAQ 100 Index (NASDAQ 100); Nikkei Index (Nikkei 225); Standard & Poors / Australian Securities Exchange 200 (ASX 200); EURO STOXX 50 Index (EURO STOXX 50);
- Non-major indices: All other indices are considered non-major.

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. Additional rules and procedures can be found in sections 12 & 20 of the Company's Terms and Conditions.

VII. 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 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.

VIII. 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 affecting retail clients and any of the retail clients' losses will be limited to **their** then **current** account balance. For more information, please refer to the Terms and Conditions.

IX. Policy Updates

The Company reserves the right to review and/or amend this Policy and arrangements from time to time. This Policy is subject to at least annual review, and revisions will be made where necessary. In the event we materially change this Policy, active Clients will be notified as in accordance with the Company's Terms and Conditions.

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Annex 1 - Definitions

"**Available**" shall mean the funds available for opening new positions.

"**Cash Required**" shall mean 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.

"**CFDs**" shall mean Contract for Difference.

"**CIF**" shall mean a Cyprus Investment Firm.

"**Client(s)**" or "**you**" shall mean the natural person or legal entity or the union of persons or group of assets devoid of legal personality who are clients of Capital Com.

"**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 V above.

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%.

"**CNMV**" or "**Comisión Nacional del Mercado de Valores**" shall mean the National Securities Market Commission of Spain.

"**Company**" or "**we**" or "**Capital Com**" shall mean Capital Com Group Ltd.

"**Cyprus Securities and Exchange Commission**" or the "**Commission**" or the "**CySEC**" shall mean the Cyprus Securities and Exchange Commission.

"**ESMA**" shall mean the European Securities and Markets Authority.

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

"GSL Fee" shall mean the charge applied when a Guaranteed Stop Loss Order is triggered and executed, as a cost of the execution guarantee. The GSL Fee is distinct from the GSL margin amount: the GSL margin amount is reserved in the client's account at the time the GSL is placed and forms part of the Margin calculation; the GSL Fee itself is charged at the point of trigger.

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

"**Law 87(I)/2017**" shall mean the Investment Services and Activities and Regulated Markets Law of 2017.

"**Leveraged Trading**" or "**Margin Trading**" shall mean that the client can trade amounts significantly higher than his deposit.

"**Margin**" shall mean the sum of Cash Required for all open positions and pending orders. For positions carrying a Guaranteed Stop Loss order, the Cash Required for that position is the greater of the standard leverage-based position margin or the GSL margin amount, as further described in Section V of this Policy.

"**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.

"**Margin Level**" shall mean the percentage derived by: ML = Equity / Margin.

"**Margin Rate**" shall mean the ratio of the amount of money needed to open a position, to the actual market exposure of that position.