FBS

Always
by your side

Leverage and Margin Policy

Tradestone Ltd

89, Vasileos Georgiou A' street, Office 101,
Potamos Germasogeias 4048, Limassol, Cyprus

2022

Introduction

This Leverage and Margin policy (hereinafter the "**Policy**") sets out the leverage and margin levels and procedures applicable to leveraged product transactions between Tradestone Ltd (hereinafter the "**Company**", "**We**" or "**Us**") and its clients.
The Company reserves the right to introduce changes to this Policy from time to time as/if it deems necessary.

1.1 Scope

This Policy sets out how We set Leverage and Margin Levels and procedures with respect to our clients' trading with the Company. You must read this Policy carefully before you enter into any trading with us. If any terms of this policy are unclear to you, you should seek independent legal advice.

1.2 General Principles

This Policy applies to the Company's execution of orders on behalf of Retail clients and Professional clients according to the Regulations, as defined below. It does not apply to you if you are an Eligible Counterparty as defined under the Regulations.

1.3 Regulatory Framework

This Leverage and Margin ratios are issued pursuant to, and in compliance with the requirements of ESMA relevant regulations and the Investment Services and Activities and Regulated Markets Law of the Republic of Cyprus as those amended and/or replaced from time to time.

Procedures

1.1 Our Obligations are:

- To apply regulatory requirements and caps as set by the CySEC or any other regulator in any jurisdiction we offer our services to;
- To set leverage levels that reflect the client's 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;
- To have regard to our duty to treat the client fairly by avoiding aggressive leverage practices;
- 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. The Company will adjust and calibrate the above variables in determining the leverage levels it offers for asset classes or financial instruments;

- 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;

Leverage Costs, Trading and Margin – Definitions

“**Balance**” is the sum of net deposits to client’s trading account plus realized profit and loss minus commissions plus/minus swap fees.

“**Equity**” is the sum of Balance plus unrealized profit & loss, (**MTM**).

“**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).

“**Margin Rate**” is the percentage rate of the volume traded required to open a position

“**Margin Requirement**” is the amount of money based on the margin rate needed to open a position, to the actual market exposure of that position.

FX Margin Requirement = (Lots * Contract Size) * Margin Rate

“**Leveraged Trading**” or “Margin Trading” means that the client can trade amounts significantly higher than his/her deposit. “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 Stop Out.

The Company’s Margin Call is currently at 80% Margin Level. If your Margin Level reaches 50%, your account will be in stop-out mode and your positions will start to be closed starting from the least loosing positions (or equivalently the most profitable positions). This measure was also introduced with the Directive DI87-09.

“**Margin**” is the sum of Margin Requirements for all open positions.

“**Margin Level**” is a percentage derived by: Margin Level = Equity / Margin

A "**Margin Call**" takes place when the client’s Margin Level breaches 80% for all accounts, except of Crypto accounts which is at or falls below 100% and the client needs to either close some positions or deposit more funds in his/her account to maintain the relevant positions open.

A "**Stop Out**" will occur when the margin level (%) falls at or below 50% for all accounts, except of Crypto accounts which is when it breaches 80%. Then, the system will automatically start closing some or all the open market orders, starting from the least profitable, until margin level for all accounts except of Crypto, and for Crypto accounts, comes again above 50% or 80% respectively.

1.1 Margin Rates

The margin rates per product depend on the underlying asset’s historical performance, volatility, liquidity, market capitalization and other characteristics. The rates 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 always be considered and complied with by the Company.

The margin rates are subject to change from time to time. The full and current list of financial instruments available for trading through our platform accompanied by their corresponding up-to-date ratios is available in our platforms and in the company's website.

The Company reserves the right to 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:

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

In addition, the Company reserves the right to Increase margin rates for specific client accounts, on a case by case basis. 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.

In light of the Directive DI87-09 dated 27.09.2019 in relation to the Marketing, Distribution and Sale of CFDs, the leverage restrictions imposed for retail clients by the Company range from 30:1 to 2:1 on the opening of a position by a retail client.

Requirements for Initial Margin Protection and Leverage Limits depending on the underlying asset:

Type of Underlying	Initial Margin Protection	Leverage Limits
Major Currency Pairs	3.33%	30:1
Non-major currency pairs, gold and major indices	5%	20:1
Commodities other than gold and non-major equity index	10%	10:1
For individual equities and other reference values	20%	5:1
Crypto assets	50%	2:1

1.2 Negative Balance Protection

We offer Negative Balance Protection on a per account basis in accordance with Directive DI87-09. This ensures that traders will not lose more money than the amount deposited if their account goes into negative as a result of their trading activity (i.e. a bad trading decision, a sharp market move against the clients' position/s, etc).

1.3 Conflicts of Interest

The Company acts as a Principal to the transactions/orders of the client but through its expertise, personnel, monitoring systems and execution of orders arrangements it safeguards the minimization of any currently existing conflicts of interest between the company and the client. The company will take remedy measures as soon as additional conflicts of interest arise from time to time and inform the client accordingly.

1.4 Monitoring

The Company will monitor and review the Policy as well as its leverage and margin arrangements at least annually and make improvements (where necessary). The Policy is in line with the Company's operational model, and therefore in case of any changes in the operations, these will be properly reflected in this policy.