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# Leverage and Margin Policy

## **Tradestone Ltd**

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

## Version Control

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## Contents

1. Introduction .....	4
1.1 Scope .....	4
1.2 General Principles .....	4
1.3 Regulatory Framework .....	5
1.4 Leveraged Trading .....	5
2. Procedures.....	5
2.1 Our Obligations are: .....	5
3. Leverage Costs, Trading and Margin – Definitions .....	6
3.1 Margin Rates .....	6
3.2 Negative Balance Protection .....	7
3.3 Conflicts of Interest.....	7
3.4 Measures for the use of Leverage .....	8
3.5 Professional Clients, Eligible Counterparties and Elective Professional Clients. ....	9
3.6 Policy Approval, Implementation and Update .....	9
3.7 Additional Information .....	9



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## 1. Introduction

Tradestone Ltd (hereinafter the “Company”, “We”, or “Us”) is a Cyprus Investment Firm (hereinafter the “CIF”) incorporated and registered under the laws of the Republic of Cyprus, with registration No. HE 353534. The Company is authorised and regulated by the Cyprus Securities and Exchange Commission (hereinafter the “CySEC”) under license No. 331/17.

The Company is governed by the provisions of the Investment Services and Activities and Regulated Markets Law of 2017, Law 87(I)/2017 (hereinafter the “Law”) which transposes the Markets in Financial Instruments Directive (MiFID II) of the European Union into national legislation.

This Leverage and Margin policy (hereinafter the “**Policy**”) sets out the leverage and margin levels and procedures applicable to leveraged product transactions between the Company and its clients.

The Company is authorised to offer the following investment and ancillary services:

### Investment Services

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Dealing on own account
- Portfolio management
- Provision of investment advice

### Ancillary Services

- Safekeeping and administration of financial instruments, including custodianship and related services
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or the loan is involved in the transaction
- Foreign exchange services where these are connected to the provision of investment services
- Investment research and financial analysis or other forms

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.

This Policy establishes the principles based on which leverage ratios will be offered to clients considering factors like:



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- the asset class and instrument characteristics, including among others liquidity and trading volumes, volatility and standard deviation, country of issuer, hedging capabilities, general economic climate, and geopolitical events
- the client's appropriateness assessment
- the risk appetite and risk management of the Company
- the capital base and financial strength of the Company.

### 1.3 Regulatory Framework

This Leverage and Margin Levels are established pursuant to, and in compliance with

- the Policy Statement (PS-04-2019) on the imposition of National Measures in Relation to the Marketing, Distribution and Sale of Contracts for Differences;
- the Directive DI87-09 and any amendments for the restriction on the Marketing, Distribution or Sale of CFDs, published by CySEC, which implement the Cyprus National Product Intervention Measures (hereinafter "CyNPIMs") in accordance to the requirements of the European Securities and Markets Authority (hereinafter "ESMA") and
- the Investment Services and Activities and Regulated Markets Law of 2017, Law 87(I)/2017 of the Republic of Cyprus as amended and/or replaced from time to time.

### 1.4 Leveraged Trading

Leverage offers Clients the possibility of magnifying the potential trading profits, but it can also magnify possible trading losses. Contracts for Differences (hereinafter "CFDs") are leveraged products and as such it is possible for the losses incurred to be higher than the sum originally invested compared to non-leveraged instruments. Leverage component adds an additional level of complexity imposing a difficulty for many retail clients to understand how leverage impacts the risks involved when trading CFDs or other leveraged products.

The Company would like to inform its Clients that trading CFDs is highly speculative, involves significant risk of loss and is suitable only for the investors who fully understand, possess adequate experience and knowledge about trading complex instruments and are financially able to bear potential losses.

## 2. Procedures

### 2.1 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, market depth (e.g., 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;

### 3. 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.

$$\text{FX Margin Requirement} = (\text{Lots} * \text{Contract Size}) * \text{Margin Rate}$$

“**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.

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

“**Margin Level**” is the percentage derived by the equation  $\text{Margin Level} = \text{Equity} / \text{Margin}$

A “**Margin Call**” takes place when the client’s Margin Level breaches 80% for all accounts, and the client needs to either close some positions or deposit more funds in the account to maintain the relevant positions open.

A “**Stop Out**” will occur when the margin level (%) falls at or below 50% for all accounts, 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 or all open orders are closed.





#### 3.1 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.

The Company also 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 may inform the client of such change at any time deemed necessary.

In addition, the Company reserves the right to reduce leverage ratios regarding CFDs in financial instruments for all client accounts, or on a case-by-case basis subject to existing or anticipated corporate actions, with or without notice to its Clients in order to address market and financial instrument volatility.

*In light of the CySEC Amendment to Directive DI87-09 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 and classification:**

Type of Underlying Asset	Retail		Professional
	Initial Margin Protection	Leverage Limits	Leverage Limits (maximum)
Major Currency Pairs	3.33%	1:30	1:500
Non-major currency pairs and major indices	5%	1:20	1:500
Gold	5%	1:20	1:200
Commodities other than gold and non-major equity indices	10%	1:10	1:100
For individual equities and other reference values	20%	1:5	1:25

**Margin requirements are tiered and may vary according to the size of the position, instrument traded and market volatility. Details are continuously accessible through the symbol specification inside the Trading Platform.**

### 3.2 Negative Balance Protection

We offer Negative Balance Protection on a per account basis in accordance with CySEC’s 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).

### 3.3 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



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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.

### 3.4 Measures for the use of Leverage

As a common practice, the Company sets a margin call informing the clients whenever their available margin equals or falls below the necessary margin for keeping the open positions. The margin call is set in such way that the Company will close the client's positions when the level of margin deposit reaches the stop-out level. This means the Maintenance Margin level is the minimum amount of equity needed to maintain an Open Position. Should the client's equity fall below the minimum amount the Trading Platform will automatically close any open positions until your account equity exceeds the Maintenance Margin level requirement. Strict policy and controls have been implemented in this respect in the Company's trading platforms that in no circumstance, will allow any account to go below zero. In case this ever happens, the clients are being indemnified.

All clients during the account opening stage, will be classified to the default lower leverage limit which doesn't exceed the cap of 1:30. The Company shall not allow the maximum possible leverage to be applied as default leverage for retail clients. The Company assesses all clients' appropriateness during the account opening stage, by collecting information about

- The client's previous experience of trading relevant financial instruments.
- How often and in what volumes the client has traded in each relevant instrument, the value of the trades carried out and, where relevant, the common level of leverage of precious trades.
- The client's professional experience whether the client has worked in a relevant position in the financial services industry.
- The client's understanding of the key risk areas for each product offered.
- The client's familiarity with trading complex financial instruments.
- The client's knowledge regarding the characteristics of the underlying asset, including the main market factors that determine its price.
- The client's understanding for the concept, effects and risks of leveraged trading, both in a normal trading environment and under stressed market conditions.
- How negative price movements of the underlying asset can potentially lead to a margin call and subsequently to an automated margin close-out of positions.
- The different types of orders and stop-loss orders and how they can be applied in the client's interest.

Furthermore, the assessment of knowledge conducted by the Company takes into account the client's academic or professional experience that could demonstrate significant knowledge in trading complex financial instruments. Information requested about educational qualifications should be sufficiently granular.



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### 3.5 Professional Clients, Eligible Counterparties and Elective Professional Clients.

The Product Intervention Decision only affects Retail Clients. Thus, the Company's Professional Clients and Eligible Counterparties are entitled to maximum trading leverage of 1:500. Categorisation of the Clients as Professional or Eligible Counterparties is always based in accordance with the requirements of Law 87(I)/2017 and MiFID II.

Additionally, the Company's Retail Clients are allowed to wave the protections which are afforded to Retail Clients and ask to be treated as Professional Clients. If they choose to do so fulfil the requirements of the Law, they can trade with a maximum Leverage of 1:500.

### 3.6 Policy Approval, Implementation and Update

This Policy should be approved by the people who effectively direct the business of the Company (i.e. the Board of Directors and its Senior Management, including the Risk Manager) and implemented by the relevant operational functions.

This Policy should be reviewed (and updated if necessary) on an annual basis, by the Compliance Function and Risk Manager, or whenever deemed necessary by either external (e.g. regulatory) or internal (e.g. risk management) factors.

### 3.7 Additional Information

The Company reserves the right to review and amend this Policy and the prescribed arrangements whenever it deems this is appropriate without notice to the Client.

Should you require further information and/or have any questions about the risks applicable to your transactions or our business relationship in general please direct your request and/or questions to [support@fbs.eu](mailto:support@fbs.eu).