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# Leverage and margin policy

Version 4, September 2021

## 1. Introduction

Key Way Investments Ltd (“Key Way”, the “Company”) is a Cyprus Investment Firm licensed and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under license number 292/16 obtained on 21/01/2016. The Company is located at 18 Spyrou Kyprianou Avenue, Suite 101, Nicosia 1075, Cyprus.

## 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, experience and regulatory requirements. It also outlines the impact on your margin and account where negative market movements occur.

## 3. Legal and regulatory framework; approval by our board of directors

The Policy was prepared in accordance with ESMA’s Publication ESMA 35-43-1000, dated 27 March 2018, the European Directive 2014/65/EU on Markets in Financial Instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II) and the Cyprus Investment Services and Activities and Regulated Markets Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets which transposed MiFID II into Cyprus legislation. In this Policy, we collectively refer to all the above legislations, regulations and guidelines as “Regulations”. This Policy has been approved by the Company’s Board of Directors.

## 4. 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.

## 5. Commitment

Treating Customers Fairly is vital to our corporate culture, ethos, and attitude. The Company has a duty to act honestly, fairly, professionally and in the best interests of our clients when dealing with them.

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

- a. to apply regulatory requirements and caps as set by CySEC.
- b. 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.
- c. to have regard to our duty to treat you fairly by avoiding aggressive leverage practices towards you.
- d. 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 the 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.
- e. 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.

## 6. Leverage ratios for different asset classes and financial instruments and client categorization

**For Retail Clients**, the leverage limit cannot exceed the level of 1:30 in accordance with the Directive DI87-09 on Retail Clients.

**For Professional Clients**, will have the option to trade with higher leverage on specific assets.

Both Retail and Professional Clients will be eligible to the 50% margin close-out rule.

For more information regarding the Company's client categorization please read our Client Categorization Policy.

Note that certain jurisdictions may apply a cap on leverage ratios irrespective of the Company's client categorization.

CFDs relate to underlying asset classes and financial instruments. We set out here below these classes together with the leverage levels we make available through our trading platforms:

Asset Class	Examples of Financial Instruments	Leverage Ratio	
		Applicable as at the date of this Policy.	
		Retail Client	Professional Client
Major Pairs - Forex	AUD/USD, EUR/USD, GBP/USD, NZD/USD, USD/CAD, USD/CHF, USD/JPY	UP to 1:30	UP to 1:300
Minor Pairs & Exotics - Forex	AUD/CAD, EUR/AUD, EUR/CHF	UP to 1:20	UP to 1:200
Major Commodities	Gold	UP to 1:20	UP to 1:200
Minor Commodities	Crude Oil, Silver, Cotton, Wheat, Natural Gas	UP to 1:10	UP to 1:150
Major Indices	Australia 200, Europe 50, France 40, Germany 30, Tech 100, UK 100, USA 30, USA 500	UP to 1:20	UP to 1:200
Minor Indices	Amsterdam 25, Dollar Index, Hong Kong 45, Italy 40, Swiss 20	UP to 1:10	UP to 1:150
Shares	Facebook, Apple, VISA, Siemens	UP to 1:5	UP to 1:10
Bonds	10-Year US Treasury Note Futures, UK Gilt Futures, 30-Year US Treasury Bond Futures	UP to 1:5	UP to 1:100
ETFs	SPDR, ACWI, FAS,	UP to 1:5	UP to 1:10

	MDY		
Cryptocurrencies	Bitcoin Futures, Litecoin (USD), Ripple	UP to 1:2	UP to 1:2
*Foreign Exchange = FX			
**Exchange Traded Funds = ETFs			

Leverages are applied in accordance with the Directive DI87-09.

Subject to change with or without notice to reflect market conditions.

The applicable leverage ratios at any point in time can be found at: <https://capex.com/>.

We reserve 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, to address likely market and financial instrument volatility. Where possible we will give you 3 business days' notice of such change to enable you to take the action you consider appropriate.

## 7. Key terms - leverage trading and margin

### 7.1 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, 1:50, 1:100, 1:200 or 1:300. This means that you, as our client, can open a trading position using a small amount of capital to take a much larger position in the market.

Sometimes the Leverage is expressed in percentage terms – and referred to as Margin requirement. For example, a leverage of 1:100 is a margin requirement of 1%.

Example: If the leverage is 1:200 and if you as our client have \$1,000 in your account, it means that you can now open trades worth \$200,000.

## 7.2 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: If the quote for the EUR/USD pair is 1.2910 against 1.2913, then the spread is 3 pips.

## 7.3 Margin Requirements

Customers must always maintain the Minimum Margin Requirement on their Open Positions.

The Company has the right to liquidate any or all Open Positions whenever the Minimum Margin Requirement is not maintained.

Margin requirements are subject to change at any time. To prevent any confusion, the Company, at its best effort, will inform customers about any projected changes on Margin Requirements by email and via the messaging system of the trading platform at least a week before changes is implemented.

## 7.4 Margin Requirement Levels

Margin requirements are calculated by dividing the true dollar value of a position by the maximum leverage allowed for that trading instrument.

Example A:

35,000 EUR/USD position at 1.4000

$35,000 \times 1.4000$  (dollar value of 1 Euro)/300(maximum leverage) = \$163.33

Example B:

What is the margin requirement of 1,400,000 USD/JPY position?

Answer:

1,400,000 has a 0.5% margin requirement (200:1 leverage) which equals: \$7,000

## 7.5 Stop Out level / Margin Close Out

A stop out level is a specific point at which all a trader's active positions will be closed automatically at market prices, because of a decrease in their margin levels, meaning that they can no longer support the open positions.

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When the Margin Level reaches 50% (ratio of equity to Margin in the Client Account), the Client positions will start closing automatically at market prices (Stop Out level of 50%) and the Company has the right to refuse a new Orders.

### **Margin calls**

If the value of your equity falls below 100% of the Used Margin, then the trading account is on Margin Call. When your trading account is on Margin Call, that means that you will be able to maintain the existing positions, but you will not be able to open new ones. If the value of your Equity falls below 70% of the Used Margin, we will send you an email and/or any other notification. Customers are advised to log into their trading platform on a regular basis to ensure they monitor their margin level of their positions. Please note that this is an additional service from us to you and does not create any obligation or responsibility on us, for either the performance of your trading account, or for notifying you of the current margin level and the action that you may wish to take. Please monitor the performance of your positions on an ongoing basis. Once an account reaches a Margin Call warning level, it is possible that the margin level could increase above 100%. Should this happen the Margin Call process will reset. If the Margin Call Warning levels are reached again, the Margin Call process will start again.

We reserve the right, acting reasonably, to change at our discretion and with or without prior notice to you, the minimum Margin / Close Out level, in anticipation of evolving market conditions. We do not have any obligation and we will not be notifying you of the execution of the Close Out when the Close Out level is at 50%. Closure of positions will be done on the basis of best execution prices available on capex.com at that time.

Customers are responsible for placing their own Stop Loss Orders to minimize losses. In addition, capex.com may, from time to time and at our best effort, contact Customer and request that Customer deposit additional Collateral to secure Customer's obligations to capex.com. Any call for additional margin shall not be deemed precedent for future calls nor future waiver of liquidation rights by capex.com.

## **8. 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.

## **9. 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

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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.

## 10. 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.

## 11. 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 always binding on Key Way Investments Ltd.