

Version 1, September 2017

Leverage and margin policy

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 2, Sophouli Street, Chanteclair Building, 6th Floor, Office 602, CY-1096, Nicosia, 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

This Policy is issued pursuant to and is compliance with the requirements of EU Directive 2004/39/EC of 21 April 2004 on Markets in Financial Instruments (“MiFID”) and the Investment Services and Activities and Regulated Markets Law of the Republic of Cyprus which transposed MiFID into Cyprus legislation.

Furthermore, this Policy **complies with Circular 168 of CySEC** issued pursuant to the Questions and Answers Document of the European Securities and Markets Authority (“ESMA”) issued on 11 October 2016 with reference ESMA/2016/1454 with respect to the provision of CFDs and other speculative products to retail investors under MiFID.

In this Policy, we collectively refer to all the above legislations, regulations and guidelines as “Regulations”. This Policy has been approved by our 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 and 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 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;
- b. to have regard to our duty to treat you fairly by avoiding aggressive leverage practices towards you;
- 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 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.
- d. 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;
- e. to apply regulatory requirements and caps as set by CySEC.

6. Leverage ratios for different asset classes and financial instruments and different

For Clients: We enable you to trade CFDs via our web and mobile trading platforms.

For retail clients, a lower leverage limit which cannot exceed a default level of 1:50 applies, unless the retail client has opted to change this default level to a different leverage ratio and we are satisfied with the retail client's knowledge and experience in trading in complex financial instruments like CFDs. In general, we internally classify Retail Clients as follows:

- a. **Experienced Retail Clients:** Clients that score high marks in our Appropriateness test, demonstrating satisfactory knowledge and experience in trading in complex financial instruments like CFDs;
Experienced Retail Clients have the choice, to change the leverage ratios they trade with to 1:50, 1:100, 1:200 and 1:300 subject to the caps that we may apply based on our internal principles of risk appetite and tolerance. We reserve the right to introduce additional leverage levels.
- b. **Less Experienced Retail Clients:** Clients that score average marks in our Appropriateness test. Whilst such clients are deemed to possess certain knowledge and experience in trading in complex financial instruments like CFDs, their trading is only enabled after they receive extensive risk warnings which they acknowledge, accept and consent to. In order to further protect these clients, we are introducing restrictions on the leverage they can use for their trading with us. These restrictions will apply until the client undertakes 40 trades in 4 consecutive months, with a minimum of 2 trades in each of the four months. We restrict the leverage ratio to 1:50 or at any lower level that we may apply based on our internal principles of risk appetite and tolerance.

Note that certain jurisdictions apply a cap on leverage ratios irrespective of any retail client categorization into Experienced or Less Experienced. For example, in Poland, a leverage ratio cap of 1:100 applies.

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	
		<i>Applicable as at the date of this Policy.</i>	
		Experienced Retail Investor	Less Experience Retail Investor
*Foreign Exchange = FX **Exchange Traded Funds = ETFs			
*Major Pairs	EUR/USD, GBP/USD, EUR/CHF	UP to 1:300	UP to 1:50
*Minor Pairs & Exotics	AUD/CAD, EUR/AUD, EUR/CHF	UP to 1:300	UP to 1:50
Commodities	Crude Oil; Gold Silver; Cotton No; Wheat; Natural Gas	UP to 1:200	UP to 1:50
Indices	S & P 500 Futures; FTSE 100 Futures; DAX 30 Futures	UP to 1:200	UP to 1:50
Shares	Facebook; Apple; Amazon; VISA; Siemens	UP to 1:20	UP to 1:20
Bonds	10-Year US Treasury Note Futures, UK Gilt Futures, 30-Year US Treasury Bond Futures	UP to 1:100	UP to 1:50
**ETFs	ChinaAMC CSI 300 Index, SPDR, DowJones, Industrial Average, iShares, MSCI South Korea	UP to 1:200	UP to 1:50

Leverages are applied on an asset class basis or on any other basis or per financial instrument as we may determine at our discretion. Subject to change with or without notice to reflect market conditions. The applicable leverage ratios at any point in time can be found at: www.keywayinv.com

CySEC prescribes a minimum default leverage ratio of maximum 1:50. Regulatory caps may also exist in other jurisdictions, for example Poland, as noted above.

We reserve the right to reduce leverage ratios for CFDs in financial instruments that maybe the subject of actual or anticipated corporate actions, with or without notice to you, in order to address likely market and financial instrument volatility. Where possible we will give you 3 business days' notice of such change so as 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, 1:25, 1:50, 1:100, 1:200 or 1:300. This means that you, as our client, can trade with amounts many times higher than you could invest in a particular CFD without the margin we provide.

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 maintain the Minimum Margin Requirement on their Open Positions at all times.

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. In order 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 are 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)/200(maximum leverage) = \$245

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

Margin calls

If you are a cfdglobal.com Web/Mobile Trader platform client and if the value of your positions falls below 100% of the Initial Margin requirement, we will send you an email and/or any other notification. This is a change from the notifications sent to you currently at the levels of the 60% and 40% of the Initial Margin and acts as an early warning of the performance of your open positions with us.

Note that if you are an MT4 client, you will not be receiving any specific notifications at the 100% level. Therefore, 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. Closure of positions will be done on the basis of best execution prices available on cfdglobal.com at that time.

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%. This is a change from our previous policy where we both notified you at the previous Close Out level of 20% and also allowed you a brief grace period to add funds to your trading account.

Customers are responsible for placing their own Stop Loss Orders to minimize losses. In addition, cfdglobal.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 cfdglobal.com. Any call for additional margin shall not be deemed precedent for future calls nor future waiver of liquidation rights by cfdglobal.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 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 binding on Key Way Investments Ltd. at all times.