LEVERAGE POLICY

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1. Introduction

Holiway Investments Limited ("Holiway Investments Limited", the "Company) is a Cyprus Investment Firm licensed and regulated by the Cyprus Securities and Exchange Commission ("CySEC") under license number 248/14 obtained on 10/10/2014. The Company is located at 30, Tempon Street, Egkomi, CY-2408 Nicosia.

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 transactions between the Company and its clients in accordance with assessment of clients' appropriateness based on their knowledge and experience and applicable legal and regulatory requirements in order to increase investor protection.

The Policy is relevant to retail clients while professional clients and eligible counterparties may request or be eligible to different leverage ratios

3. Leveraged

A leveraged FX contract is a margined over the counter (i.e. not executed on an exchange) trade between you and us where the price is determined by reference to the exchange rate between the currency pair that underlies the contact ("FX Contract"). Moreover, FX Contracts are classified in the EU as investments and firms offering to deal in them are required to be authorised and regulated.

a) 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, 1:20, 1:30. 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 1:30 is a margin requirement of 3.33%.

Example: **If the leverage is 1:30 and if you as our client have $1,000 in your account, it means that you can now open trades worth $30,000.**

b) 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**

c) What is Initial/Required Margin?

Also, known as the Initial Margin Requirement, the Initial Margin is the percentage of a financial instrument price that you, as the client, need to pay for with your own money. This requirement is basically the amount of collateral needed in order to open a margin account.

Required Margin or Margin Requirement refers to the amount you need in order to open and maintain a position, in addition to the initial loss that will occur due to the spread. The Required Margin is derived from the following formula: (Amount * Instrument Price) / Leverage + (Amount * Spread).

Example: **If you intend to buy a CFD on 10 barrels of oil at a price of 51.30 per barrel. The leverage on the Oil CFD is 1:10. The spread on the Oil CFD is $0.03. Your Margin requirement is calculated as follows: (10 * 51.30) / 10 + (10 * 0.03) = $51.60**

d) What is Equity?

In a nutshell, "Equity" can be defined as the value of your portfolio with us. Effectively it is the value of your funds with Holiway Investments Limited (which at any point in time include realized profits and losses) plus the unrealized profit and loss on your CFDs based on their latest quoted valuation.

The Company applies the following leverage limits and margin close-out rule to its retail clients provided that they have passed the appropriateness test provided by the Company:

Retail Clients		
Security/Symbols	**Leverage**	**Margin Required**
Major currency pairs; (the major currencies are currency pairs comprising any two of these currencies: US Dollar, Euro, Japanese	1:30	3.33%

Yen, Pound Sterling, Canadian Dollar and Swiss Franc)		
Non-major currency pairs, gold and major indices;(the major indices are any of these equity indices: FTSE 100; CAC 40; DAX30; DJIA; S&P 500; NASDAQ; NASDAQ 100; Nikkei 225; ASX 200; EURO STOXX 50)	1:20	5%
Commodities other than gold and non-major equity indices;	1:10	10%
Individual equities and other reference values;	1:5	20%
Cryptocurrencies	1:2	50%

4. General Information

These FX Supplemental Terms set out the terms and conditions of our FX Contracts and they form part of the Agreement with you.

Unless separately defined in these Supplemental Terms, words and expressions shall have the same meanings given to them in the General Terms.

Trades in FX Contracts may be placed through the Trading Platform or as otherwise permitted in accordance with our General Terms and Conditions.

We may convert the value of any Open Position denominated in one currency to another currency for Account valuation and other purposes under our General Terms and Conditions.

All Trades and Open Positions resulting from an FX Contract continue until closed by you or us in accordance with the General Terms. FX Contracts, are not automatically closed or rolled on a daily basis.

5. Legal Framework and the Approval by our Board of Directors

The Company uses the leverage in the best interest of its clients; therefore, this Policy is issued in compliance with the requirements of Directive 2014/65/EU of the European Parliament and of the council of 15 May 2014 on Market in Financial Instruments ("MiFID"), the amending MiFID II and the applicable Law of Republic of Cyprus.

The Policy is also in line with the Policy Statement (PS-04-2019) and Directive DI87-09 for the restriction on the Marketing, Distribution or Sale of CFDs which implemented the Cyprus National Product Intervention Measures ("CyNPIMs").

The Policy complies also with the opinion of the European Securities and Markets Authority on the product intervention measures relating to contracts for differences.

6. 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.

6.1. Appropriateness test

The Company will perform "appropriateness test" prior any provision of services and request from the Client to provide information regarding the Client's knowledge and experience in the investment field relevant to the services offered by the Company in order to assess whether the investment service or product is appropriate for the Client. In the context of CFDs and other speculative products the information to be collected should include information related to the Client or potential Client such as the types of service, transaction and financial instrument with which the Client is familiar, the nature, volume and frequency of the Client's transactions in financial instruments and the period over which they have been carried out as well as the level of education and profession or relevant former profession of the Client.

If the Client's knowledge and experience is not appropriate for the services offered or demanded by the Company, the Client will be warned about the risks implied in such investing and depending on the scoring may be rejected (not eligible to open an account with the Company).

Prospective clients will be required to undertake an "appropriateness test" prior to the provision of any services. Upon the prospective client's first initial log in, they will be redirected to the assessment page and will not be able to proceed any further in the application for an account process until the assessment has been completed.

The Company's appropriateness assessment will request from the client information regarding their knowledge and experience in the investment field relevant to the services offered by the firm, in order to assess whether the investment service or product is appropriate for the client.

The Company in order to determine the client's previous experience of trading will collect information regarding the below through a sub set of questions:

a. Previous trading in CFDs or similar speculative instruments such as rolling spot FX.
b. Previous trading in other derivative instruments traded with margin, such as futures or options.
c. The nature and type of service related to said transactions, specifically if the relevant trading experience derived from independent trading (execution-only), advised trading (per an advisory service) or managed trading (per a discretionary service).
d. How often and / in what volumes the client has traded in each relevant instrument, e.g. within the last 12 months

The Company would consider that prospective clients possess knowledge and understanding of at least the key risk areas for each product that will be offered such as:

a. The concept, effects and risks of leveraged trading, both in a normal trading environment and in stressed market conditions;
b. How negative price movement in the underlying can potentially lead to a margin call and the subsequent triggering of an automated margin close-out of positions;

and as such the Company's assessment consists of a set of multiple-choice questions in order to ascertain the client's understanding of the aforementioned key risk areas.

Furthermore, the Company will seek to assess the prospective client's knowledge through ascertaining whether the individual possess a relevant professional qualification or professional working experience relevant to the services and products offered.

All clients are required to achieve a minimum pass mark to open an account.

In case where the assessment of appropriateness indicates that the product or service is not appropriate for a retail client or where insufficient information is available to assess appropriateness, the Company will not allow the client to proceed. Upon failure, the client will receive a message informing them that on the basis of the information provided in relation to their knowledge and experience, the investment products and services of the Company are not appropriate.

Prospective clients will only be afforded one initial attempt to pass. The Company will apply a mandatory "cooling off" period before a prospective client may be able to re-attempt for a second time. The time of the cooling off period depends on the reasons for which the client is rejected.

6 Our Commitment and Leverage Ratios for Different Asset Classes and CFDs

Treating Customers fairly is vital to our corporate culture and ethos and attitude.

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 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.

Besides, a Leverage Policy will be established, documented within the Company's Internal Procedures/ Operations Manual, and approved by the Board of Directors. Through the Leverage Policy, the Company should identify how leverage ratios are established having regarded to factors like:

1. The capital base and financial strength of the Company.
2. The risk appetite and risk management of the Company.
3. The asset class and instrument characteristics, including among others liquidity and trading volumes, volatility and standard deviation, market cap, country of issuer, hedging capabilities, general economic climate and geopolitical events.
4. The regulatory requirements and caps as set by CySEC.

More specifically, in accordance with the provisions of Circular 168 imposed by CySEC, the Company as per the relevant legislative requirements, has a duty to act honestly, fairly, professionally and in the best interests of its clients when dealing with them. CIFs offering excessive leverage to Retail Clients are unlikely able to demonstrate that they are acting in the best interests of Retail Clients.

7 Introduction to Margin Level

The Company applies a margin close out rule on a per account basis to its retail clients only. Specifically, if the total margin in an account falls before 50% of the amount of initial margin required in respect of the open CFDs, the Company must close one or more of the CFDs.

The said rule standardizes the percentage of margin at 50% of minimum required margin at which the Company is required to close out one or more retail client's open positions on CFDs.

When the margin level decreases, your account bears an increased risk of liquidation. We call this the Close Out (stop out) Level and explain it further below. You are advised that you should monitor this margin level at all times. Whilst we may from time to time send you notifications of your Margin Level reaching certain thresholds, you are reminded that under the Retail Client Investments Services Agreement between you and us it is your responsibility to monitor at all times the margin level and take relevant actions.
Relevant actions that you can take to restore your Margin Level include:

- Closing or hedging some of your open positions.
- Depositing more funds that can help in averaging down your position.

Please note that we do not provide advice for the trading decisions and actions you take, including with respect to the actions you may take to address the Margin Level requirements such as the ones we refer to above, except where the client requests so, then the client will need to submit a confirmation for the provision of investment advice services.

7.1 What is Free Margin?

Free Margin is the sum of funds you have available to use as initial margin for new positions. This is calculated by subtracting the margin used for your current open positions from your Equity.

7.2 What is Maintenance Margin?

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 Close Out we refer to above. If your Maintenance Margin reaches 50%, your positions will start to liquidate starting from the position with the highest losses.

Example: **You have an open position on EUR/USD with used margin of $500. Your Balance is $10,000 and your Equity $900. This means that your maintenance margin is at 180% (Equity of $900 divided by Margin used of $500). If your floating loss reaches -$9,750 this means that your equity will become $250. Therefore, your maintenance margin will be 250/500 = 50% and a Margin Close Out will take place.**

7.3 What is Used Margin?

Used Margin indicates the sum of margin being used by your current open positions. It is calculated by adding the initial margins of all your open positions.

Example: **<u>You open a position of 10,000 EUR/USD at 1.1175.</u>**
<u>Assume that the initial margin requirement is 3.33% (i.e. a leverage of 1:30).</u>
<u>The margin used for your position is calculated as follows:</u>
<u>(10,000*1.1175)30 + 10,000*0.0002= $374.50</u>

<u>In addition, you open a position of 100 units of the Apple CFD at 107.70. Assume that the initial margin requirement is 20% (i.e. a leverage of 1:5). So the initial margin used for this position is calculated as follows:</u>
<u>(100*107.7)/5 + 100*0.07 = $2.161</u>

7.4 What is Margin Level?

A margin level is calculated by dividing the current Equity and the Used Margin.
Margin level %= (Equity / Used Margin) * 100
The margin requirement is specific for each asset class/instrument and can be found here.
Please note that we reserve the right to change at our sole discretion the margin requirements with **24hrs prior** notification to you, based on actual or expected (in our opinion) market volatility or our view of market conditions in general.

Example: **<u>Your Equity is: $1,000</u>**
<u>Your wish to open a Buy position of $100,000 vs. CHF</u>
<u>Margin requirement: If for the USD/CHF pair, the margin requirement is 3.33% which equals $3.330. Margin Level</u>
<u>%: ($1,000 / $500) * 100 = 200 %</u>

7.5 Our Margin Requirement

To place a Trade which creates an Open Position in a FX Contract the Margin Requirement is calculated as follows:
(Quantity x Our Price) x Margin Factor
The Margin Requirement will be calculated in the currency of the FX Contract but will be expressed in the Base Currency of your Account. Margin Requirement will change as the exchange rate between your Base Currency and your traded FX Contract changes.
If you have both long and short positions in the same underlying currency pair, the Margin Requirement is calculated as follows:

a) Calculate (Quantity x Our Price) x Margin Factor of the aggregate of all Long Positions in the same underlying currency pair
b) Calculate (Quantity x Our Price) x Margin Factor of the aggregate of all Short Positions in the same underlying currency pair

c) The Margin Requirement is the greater of a) or b)

The Margin Requirement will be calculated in the currency of the FX Contract but will be expressed in the Base Currency of your Account. Margin Requirement will change as the exchange rate between your Base Currency and your traded FX Contract changes.

For a Trade which creates an Open Position that is subject to a Margin Multiplier: the figure calculated under paragraph 4.1 or 4.2 above (as applicable) x Margin Multiplier.

If other conditions apply to the Margin Requirement we will advise you at the time you place the Trade.

When you execute a Trade, which results in a Long Position, we will use our Bid Price to calculate the Margin Requirement.

When you execute a Trade, which results in a Short Position, we will use Our Offer Price to calculate the Margin Requirement.

We reserve the right to refuse to execute a Trade if your Margin Level is insufficient to fund the Margin Requirement, any Unrealised P&L created by Our Spread and any costs associated with the Trade.

You are responsible for monitoring your Margin Level and ensuring that it is sufficient to maintain your Open Positions. Your Margin Level must be sufficient to fund the amount:

Total Margin; Fees and charges, including the Daily Financing Fee (if applicable) require to maintain and close your Open Positions; Unrealised Losses; and Any New Open Positions you wish to create.

7.6 Leverage During Extreme Market Conditions

During expected extreme volatility the offered leverage shall be reduced accordingly to the levels decided by the Risk Manager along with the Company's Management. The details of the reductions/changes shall be duly notified to Clients including any temporary changes in the leverage offers. The above-mentioned changes shall not be considered by the Company unless these are justified by the circumstances or expectations on the market movements.

8 Our Price

For an FX Contract, Our Price is the price of the first named currency expressed in terms of the second named currency.

For example, in the case of the EUR/USD currency pair, if Our Bid Price is 1.3546 and our Offer Price 1.3548, this mean that you can either buy USD and therefore sell EUR at 1.3546 (our bid price) or sell USD and therefore buy EUR at 1.3548 (our offer price).

9 Fees and Charges

The basis of calculation of Daily Financing Fees is set out in the Key Service Features. We may vary the method of calculating the Daily Financing Fees and/or commission. When we do so we will give you notice in accordance with clause 28 of the General Terms (“Amendments and Termination”).

The cost of Daily Financing Fees and commissions will be converted to your Account Base Currency and on certain assets will be debited from (for Long Positions) or may be credited to (for Short Positions) your Cash. In other words: If you leave an open position for the next trading day, you pay or you obtain the certain amount, calculated on the basis of interest rates difference of two currencies in currency pair. This operation is called "swap." In the trading terminal, "swap" is automatically converted into the deposit currency. The operation is conducted at 00.00 (GMT+2 time zone, please note DST may apply) and can take several minutes. From Wednesday to Thursday swap is charged for three days. A table with short and long swaps to be provided on our website and will be updated according to the current interest rates apply by central banks.

CFDs on Cash Indices will be subject to dividend adjustments. When a constituent member of an index pays Dividends to its Shareholders, dividend adjustments will be made to accounts of clients holding a position on the index at 00:00 (GMT+2 time zone, please note DST may apply) on the ex-Dividend Date. CFDs on Germany30 (GER30Cash) is not subject to dividend adjustments. CFDs on Future indices are also not subject to dividend adjustments.

Buy trades will receive an amount calculated as follows:

Dividend adjustment = Index Dividend declared x position size in Lots

Sell trades will be **charged** an amount calculated as follows:

Dividend adjustment = Index Dividend declared x position size in Lots

10 Profit and Losses

Profits and losses for an Open Position will be credited or debited as Unrealise P&L. Unrealised Profits will allow you to place additional Trades but cannot be withdrawn until you close the Open Position. Unrealised Losses will reduce the amount you have available to place new Trades and may result in your positions being closed under clause 10 of the General Terms (“Margin Close-Out Level”).

When an Open Position is closed, Realised Profit or Realised Loss is calculated as: (the difference between the opening and closing price) x Quantity.

Realised Profits or Realised Losses will be credited to or debited from your Cash Balance.

11 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. The Negative Balance Protection limits the maximum losses that a retail client could have. It is designed as a backstop for when the margin close-our rule does not work effectively as a result of a very sudden price movement. With the implementation of a Negative Balance Protection per account the client can never lose more than the total sum invested for trading CFDs.

12 Taxes

We do not withhold any sums for tax purposes for FX Contracts. You are responsible for the payment of all taxes that may arise in relation to your Trades and recommend that for all personal Tax enquires relating to Tax arising from Trading, that you seek independent financial advice.

13 Risk Warning Notice

A high degree of "gearing" or "leverage" is associated with trading our Products. This stems from the margining system applicable to our Products. This stems from the margining system applicable to our Products which generally involves a comparatively modest deposit of the overall contract value to open a Trade. This can work for you and against you. A small price movement in your favour can result in a high return on the money placed on deposit; however, a small price movement against you may result in substantial losses, possibly more that money placed on deposit. Prices can move quickly particularly at times of high market volatility (see below) and, if these price movements are unfavourable to your Trade(s), you could quickly build up significant losses.

If you do not maintain enough funds in your Account to satisfy your Margin Requirements, we may close any or all of your Open Positions (in some circumstances without warning). If we do this, your Open Positions may be closed at a loss for which you will be liable.

The Company warns its clients or potential clients where it considers, on the basis of the information received in relation to the client's knowledge and experience, that the investment product or service is not appropriate to the client or potential client. In addition, when clients or potential clients did not provide the requested information about their knowledge and experience, or when they provided insufficient information, the Company warns them that it is not in a position to determine whether the investment product or service envisaged is appropriate for them and/or reject the client accordingly.

14 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.

15 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.

16 New Rules by Foreign Jurisdictions CIF's should comply with

Further, to C221 CySEC's circular, there are new rules set by the Polish Financial Supervision Authority Poland (the "KNF") regarding persons that are allowed to provide activities in the territory of Poland. Services offered in the territory of Poland may only be conducted by a (foreign) investment firm, or an agent of a (foreign) investment firm (supervised intermediary acting in the name and on behalf of the investment firm).
The only exception is where the above listed activities may be conducted by entities other than a (foreign) investment firm or an agent of a (foreign) investment firm only if the information is, at the same time, communicated to a broad group of clients or potential clients of the investment firm or to an indefinite recipient (e.g TV or radio advertisement).

Also, according to C210 CySEC's circular, there are new requirements of the Spanish Securities and Exchange Commission (the "CNMV") in regards to the provision of warnings on complex financial instruments to retail clients resided in Spain. CIF's are required to expressly warn retail investors resided in Spain about the risk and complexity of CFDs and rolling-spot forex with a leverage level greater than 10:1.

17 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 Holiway Investments Limited at all times.