

BDSwiss HOLDING PLC
LEVERAGE AND MARGIN POLICY
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1. INTRODUCTION

1.1 The present document titled “Leverage Policy” belongs to BDSwiss Holding PLC (hereafter “the Company”) and is a document which aims to set the necessary procedures to ensure that leverage the Company offers to its clients in regard to CFDs, Forex and Cryptocurrencies are appropriate for its clients or potential clients in accordance with the provisions of the CySEC Circular C168, Directive 2004/39/EC, the implementing Directive 2006/73/EC2 and the MiFID Supervisory Briefing ESMA/2012/851.

2. LEGAL BACKGROUND

2.1 In light of the legal framework, the Company has decided to establish, implement and maintain an Assessment of Appropriateness in order to assess and determine whether a prospective client has the necessary experience and/or knowledge in order to understand the risks involved in relation to the product or investment service offered. The objective of this Policy is to lay down the principles governing how the leverage was established and how should be applied and monitored. The overall philosophy of this Policy is to promote sound and effective risk management, as well as a long-term perspective, and to discourage excessive risk-taking by the Clients. In particular, consideration has been given to the business strategy, objectives, values and interests of the Company and those of the customers, in accordance with the Conflicts of Interest Policy.

2.2 The “Assessment of Appropriateness” has been approved by the Senior Management of the Company. The Senior Management of the Company has the responsibility to ensure its implementation and that it is communicated to the Company’s relevant personnel.

2.3 The Company reserves the right to review and update or amend the current Policy at any time, if such amendment is needed as a result of any amendments in the law(s), rules and regulations and/or when the business model changes and/or when new products or services are offered or for any other reason the Company considers as a proper reason to amend the Policy.

2.4 In case of any amendment(s) in the current Policy, all the relevant changes will be communicated to the Company’s personnel and an in-house training will be provided to introduce the updated Policy as

well as the procedures, measures and controls which will be followed.

'Leverage' is the ratio of the transaction size to the actual investment used for margin. Leverage allows a client to trade without putting up the full amount. Instead a margin amount is required. Leverage increases both upside and downside to risk as the account is now that much more sensitive to price movements.

The Policy applies to all *retail clients* who are speculating on the short-term movements in the price of CFD's which complex products and it may be difficult for a majority of them to understand the risk involved. This is reflecting in the requirement to assess appropriateness as part of the account opening process. We adopted a robust process to assess the knowledge and experience of retail clients and potential retail clients, to check whether they understand the risks involved and to determine whether the Company's products are appropriate for them.

3. ASSESSMENT OF APPROPRIATENESS TEST

3.1 The Company shall ensure that the information regarding a client's or potential client's knowledge and experience in the investment field includes the following, to the extent appropriate to the nature of the client, the nature and extent of the service to be provided and the anticipated type of product or transaction, including their complexity and the risks involved:

- (a) the types of service, transaction and financial instrument with which the client is familiar;
- (b) the nature, volume, and frequency of the client's transactions in financial instruments and the period over which they have been carried out;
- (c) the level of education, and profession or relevant former profession of the client or potential client.

3.2 The Company shall not encourage a client or potential client not to provide information required for the purposes of assessing the appropriateness.

3.3 The Company shall be entitled to rely on the information provided by its clients or potential clients unless it is aware or ought to be aware that the information is manifestly out of date, inaccurate or incomplete.

- 3.4 Further to the above, the Company when assessing whether a product or an investment service is appropriate for a client, determines whether that client has the necessary experience and knowledge in order to understand the risks involved in relation to the product or investment service offered or demanded.
- 3.5 The leverage is specified as a ratio and the limits on the opening of a position by a retail client offered are from 30:1 to 2:1, which vary according to the volatility of the underlying:
- 30:1 for major currency pairs;
 - 20:1 for non-major currency pairs, gold and major indices;
 - 10:1 for commodities other than gold and non-major equity indices;
 - 5:1 for individual equities and other reference values;
 - 2:1 for cryptocurrencies;.

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.

For those purposes, the Company shall be entitled to assume that a professional client has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product(s), for which the client is classified as a professional client and can continue offer the existing leverages before measures.

4. ASSESSMENT OF APPROPRIATENESS QUESTIONNAIRE

- 4.1 In order for the Company to assess whether a client has the necessary experience and knowledge in relation to the Company's products and/or investment services including cryptocurrencies and determine whether the said product and/or investment service(s) is appropriate for a client, the potential client is required to submit relevant information regarding the assessment of appropriateness during the account opening procedure.
- 4.5 The completion of the Appropriateness Questionnaire will be mandatory to answer for all clients during the account opening procedure. The prospective client will not be allowed to omit these questions and proceed to the establishment of a trading account unless all the above questions are answered.

5. PROCEDURE FOR NON-EXPERIENCED CLIENTS

- 5.1 The Company will apply specific procedure for Clients who do not possess sufficient experience and knowledge for trading in Binary

Options and/or Forex/CFDs based on the assessment of appropriateness performed during the account opening procedure.

- 5.2 The Company's system will automatically assess whether the client has the necessary experience and knowledge to understand the risks involved in relation to trading in Binary Options and/or Forex/CFDs, and whether such a trading account is appropriate for the client, based on the information provided as described above.

For clients with low scoring the best practice would be the client not to proceed, and we offer the Demo Account only.

Trading with too high a leverage ratio is one of the most common errors committed by new forex traders. Therefore, until client will become more experienced, BDSwiss strongly urges the client to trade with a lower ratio.

The client will then have to accept the Acknowledgment Statement, by actively ticking a box, in order to be able to establish a trading account.

- 5.3 The completion of the Appropriateness Test will be made mandatory to answer for all clients during the account opening procedure.
- 5.4 The client will not be allowed to skip the Appropriateness Questionnaire, and proceed to the establishment of a trading account unless all the said questions are answered.
- 5.5 Non-experienced clients will be invited to receive further education and/or training in order to be able to understand the risks involved in trading as well as the right methods if trading in Binary Options and/or in Forex/CFDs.

6. MONITORING & REVIEW

- 6.1 All approved clients together with their information, data and supporting documentation will be available and easy to retrieve at any time from the Company's in-house system by the AML, Support and Back Office Department.
- 6.2 The outcome of the assessment of appropriateness test will be visible and available for review at any time on the online in-house system together with any comments, information, data, documents or correspondence.

- 6.3 The departments responsible for the monitoring and the supervision of non-experienced clients are the Compliance and the Back-Office Department.
- 6.4 The abovementioned personnel will monitor the activities of the non-experienced clients on a monthly basis in order to determine whether they can be classified as experienced clients. Relevant records of the monitoring & review will be kept indicating the time, the date, the person who performed the monitoring, the findings, any action taken and the status of the said client.
- 6.5 The person who performs the monitoring will review the following:
- Whether the client has attended any trading courses or webinars or received any educational material
 - If the client was provided with a demo account, what was his trading activity and success rate
 - What actions the client has taken to familiarised himself/herself with the company's products and services
- 6.6 Based on the findings, the person who conducts the monitoring may classify a non-experienced client to an experienced client and vice versa or advise the client to receive further education and/or training.

All the information obtained about the Company's clients are used to act in a manner which is the client's best interests. The Compliance Department monthly will assess the quality of the Company's assessment of appropriateness as well as identifying potential compliance issues by considering:

- (i) The proportion of clients passing the appropriateness test;
- (ii) The proportion of clients not passing the appropriateness test, both where they did not demonstrate sufficient knowledge and experience and where there is insufficient information available to assess appropriateness;
- (iii) The proportion of clients proceeding to trade where they have not passed the appropriateness test.

7. RECORD KEEPING

The Company will keep an electronic record in the internal company system, for a period of five (5) years, from the end of the business relationship with the client of the following information, data or documents:

- The registration data

- The Assessment of Appropriateness Questionnaire performed for all clients during the Account Opening Procedure
- The outcome of the appropriateness test (i.e. experienced or non-experienced) for each client
- The treatment of each client following the conclusion of the assessment (i.e. whether the client was accepted or rejected and the Company's actions)
- The monitoring & review performed (if any) of the non-experienced clients
- Records of clients who accepted the appropriateness assessment warning and proceeded with opening a real trading account
- Any related correspondence between the Company and its clients

8. INTRODUCTION TO MARGIN LEVEL

- **Spread**

The spread is the difference between the Bid price (selling price) and the Ask price (buying price) of the CFD.

Pip stands for Point in Percentage. More simply though, a pip is what we in the FX would consider a "point" for calculating profits and losses.

- **Initial/Required Margin**

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

Required Margin or Margin Requirement refers to the amount the client needs 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: $(\text{Amount} * \text{Instrument Price}) / \text{Leverage} + (\text{Amount} * \text{Spread})$.

Our margin close out level is currently 50%. This means that if your margin level falls below the margin close out level of 50%, you will receive a stop out and your open positions will start liquidating, without any notice by us to you, starting from the positions with the highest losses.

- **Equity**

Equity can be defined as the value of the client's portfolio with the Company. Effectively it is the value of the client's funds with the Company (which at any point in time include realized profits and losses) plus the unrealized profit and loss on the client's CFD positions based on their latest quoted valuation.

The Margin Level indicates how close the client's account is to a margin call. It is calculated as Equity/Initial Margin and is typically shown in "%". When the margin level decreases, the account bears an increased risk of liquidation. We call this the Close Out (stop out) Level and explain it further below. It is recommended that the client should monitor this margin level always. Whilst the Company may from time to time send the client notifications of his Margin Level reaching certain thresholds, the client is reminded that it is his responsibility to monitor at all times the margin level and take relevant actions. Sometimes the Leverage is expressed in percentage terms - and referred to as Margin requirement.

Relevant actions the client can take to restore his Margin Level include:

- Closing or hedging some of open positions.
- Depositing more funds that can help in averaging down his positions.
- Adjust his leverage ratio, (if it is possible) so that he will need less Initial/Required Margin

Please note that the Company does not provide advice for the trading decisions and actions that the client may take, including the actions he may take to address the Margin Level requirements such as the ones we refer to above.

• **Free Margin**

Free Margin is the sum of funds that the client has available to use as initial margin for new positions. This is calculated by subtracting the margin used for his current open positions from his Equity.

• **Maintenance Margin**

Maintenance Margin refers to the minimum equity that the client needs to have in order to keep his 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.

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• **Used Margin**

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

• **Margin Level**

A margin level is calculated by dividing the current Equity and the Used Margin.

Margin level %= (Equity / Used Margin) * 100

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The margin requirement is specific for each asset class/instrument and the Company reserves the right to change at its sole discretion the margin requirements without prior notification to the client, based on actual or expected (in the Company's opinion) market volatility or its view of market conditions in general.