Leverage Policy

1. Introduction

HTFX (EU) LTD (the "Company", or "HTFX (EU) ") has established a leverage policy (hereinafter, the "Policy") which applies to all its retail customers. The purpose of this Leverage Policy is to set out the leverage practices of the Company in order to increase investor protection.

The Contracts for Difference ("CFDs") and Foreign Exchange ("Forex") offered by HTFX (EU) are leveraged products. Leverage enables clients to magnify their potential trading profits but also magnifies clients' potential losses. As such, CFDs and Forex products are riskier than non-leveraged instruments. In addition to magnifying potential gains and losses, leveraged products are more complex than their non-leveraged equivalents – retail clients may face difficulties in grasping how leverage affects their risk exposure.

2. Leverage trading

'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. For example, 30:1 leverage means $5,000 of equity is required to purchase an order worth $150,000. Leverage increases both upside and downside to risk as the account is now that much more sensitive to price movements.

3. Regulatory framework

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.

4. Leverage ratios

Retail Clients

The Leverage ratio per underlying asset, are set by the ESMA's Publication ESMA 35-43-1000, dated 27 March 2018. These regulatory limitations applicable to margin rates are taken into account and complied with by the Company at all times. The Company has taken adequate measures and designed its trading systems in a way that offers its Retail clients leverage limits determined in accordance to the Maximum permitted leverage limits per market and the with the scoring of each client at the appropriateness test or limit. Based on the above legal and regulatory requirements, the maximum leverage for retail clients that the Company will offer is capped, and the Company has produced the following list of underlying asset classes accompanied by their respective maximum leverage ratio:

- Up to 30:1 for major currency pairs;
- Up to 20:1 for non-major currency pairs, gold and major indices;
- Up to 10:1 for commodities other than gold and non-major equity indices;
- Up to 5:1 for individual equities and other reference values;
- Up to 2:1 for cryptocurrencies;

Professional Clients

Professional clients are able to trade with higher leverage. Specifically, the Company offers to Professional clients the option to select higher leverage ratio based on the underlying instrument.

5. Stop out level

The stop-out level refers to the equity level at which your open positions get automatically closed. A 50% threshold seeks to mitigate the risk of substantial loss by retail investors. The level to 50% in response to the new ESMA measures. In other words, we will close one or more of your open positions on terms that are the most favourable to you when the total amount of funds in the CFD trading account and the unrealized net profits of all the open CFDs linked to that account fall to less than half of the total initial margin protection for all those open CFDs.

6. Considerations Taken Prior to Establishing Leverage Ratios

HTFX (EU) takes into consideration the following factors when determining which level of leverage should be provided to its retail clients:

- The capital base and financial strength of HTFX (EU), as determined by the company's capital adequacy ratio;
- The risk appetite of HTFX (EU)'s directors and shareholder;
- The asset classes and characteristics of each instrument;
- On a per client basis, the client's appropriateness and financial knowledge, as assessed by HTFX (EU);
- The negative balance protection policy adopted by HTFX (EU); and,

6.1. Capital base and financial strength

HTFX (EU) complies with the capital adequacy requirements as stipulated by CySEC. Leverage ratios offered to clients must not inhibit HTFX (EU) from complying with said capital adequacy requirements.

6.2. Risk appetite of directors and shareholder

When setting leverage ratios, HTFX (EU) adheres to the risk management policies and procedures which set out the key risks relating to its business activities, processes and systems. These risk management policies and procedures must align with the risk appetite of the company's directors and shareholder.

6.3. Asset classes and characteristics of instruments

HTFX (EU) takes into account the asset classes and characteristics of instruments when setting leverage ratios. The instrument characteristics that must be taken into account include liquidity, trading volume, market capitalization and issuing country. Moreover, HTFX (EU) must take into account the macroeconomic and geopolitical context of instruments.

6.4. Client appropriateness and financial knowledge

HTFX (EU) compiles and assesses each client's knowledge and experience before allowing the client to trade with leveraged instruments. Client who, following HTFX (EU)'s appropriateness assessment, are deemed inappropriate/inexperienced will be invited to join a New Investor Program that subjects their live account to certain limitations, or will be provided with an additional risk warning upon the acceptance of which they will be able to proceed at their own discretion. Conversely, clients who are deemed appropriate/experienced are granted the maximum leverage of the assets as described above, shall be offered to them.

6.5 Negative balance protection

In the event of a negative balance in a Retail Client account but not Professional Clients, the Company will not file a claim against the Client for that amount, except in cases where the Client has used illicit methods to create it. Professional Clients will be fully responsible for the settling a potential negative balance on their accounts.