T: +357 25 260 333
F: +357 25 024 885
E: info@probusfx.com
W: www.probusfx.com

Aspide Financial Limited

(Regulated by the Cyprus Securities & Exchange Commission)

LEVERAGE POLICY

Original Issue Date:	February 2017
Approver:	Board of Directors
Last Review Date:	N/A
Next Review Date:	N/A

T: +357 25 260 333
F: +357 25 024 885
E: info@probusfx.com
W: www.probusfx.com

LEVERAGE POLICY

1. INTRODUCTION 3

2. SCOPE 4

3. DEFINITIONS 4

4. LEVERAGE OFFER CLASSES 5

5. ALLOCATION OF SUITABLE LEVERAGE TO THE CLIENTS 5

6. APPLICATION AND CONTROLS 8

7. ADDITIONAL EVALUATION QUESTIONNAIRE 8

8. OTHER 9

8.1. Leverage, Margin Call Level and Stop Out levels during extreme conditions 9

8.2. Negative Balance Protection 9

ANNEX 11

1. INTRODUCTION

The purpose of this Policy is to ensure that the level of leverage made available by Aspide Financial Ltd (the “Company”) to each *Retail Client* for trading is at the Client’s best interests.

The Company offers investment services to its Clients related to Contracts for Difference (the “CFDs”). CFDs are considered highly risky and *complex financial instruments* given, *inter alia*, the leverage element that they entail.

Trading with the use of leverage enables traders to control positions that exceed the value of their initial investment. This maximizes the Client’s potential profits, were the market move in the Client’s favour, but in case of adverse market movement direction, leverage would increase the potential Client losses.

European Securities and Markets Authority (ESMA) is of the opinion that leverage offers *Retail Client* the possibility to magnify the potential profits of a trade, however it also magnifies the possible losses. Because it is possible for the losses incurred to be higher than the amount of funds originally invested, leveraged instruments such as CFDs and rolling spot forex are riskier than non-leveraged instruments. The leverage component also adds an additional level of complexity, which means that many *Retail Clients* would have difficulty understanding how leverage impacts the risks involved when trading CFDs or other similar leveraged product.

T: +357 25 260 333
F: +357 25 024 885
E: info@probusfx.com
W: www.probusfx.com

To this end, the Policy shall determine the (maximum) levels of leverage ratios which will be made available to each *Retail Client* based on the Company's offer to its *Retail Clients* for trading, taking into consideration the Client's background and experience in trading *complex financial instruments*, his/her understanding of the risks entailed by *leveraged* financial instruments, as well as the idiosyncratic characteristics of the underlying asset to each underlying asset that the Client wishes to invest in (through CFDs).

This Policy aims:

(a) To identify how leverage ratios are established having regarded the following factors:

- The capital base and financial strength of the Company.
- The risk appetite and risk management of the Company.
- The underlying asset class and financial instrument characteristics, including among others liquidity and trading volumes, volatility and standard deviation, market capitalization, country of issuer, hedging capabilities, general economic climate and geopolitical events, as applicable, to limit the Maximum Leverage offered to *Retail Clients* who did not pass the *Assessment of Appropriateness* test as per the Company's policy and procedures for a period of time sufficient enough to get familiar with the effects of leverage on particular Products/financial instruments;

(b) to ensure that all *Retail Clients* wishing to utilize higher leverage ratios are properly warned and approved by the Compliance Officer function of the Company as Clients that have successfully passed the *Assessment of Appropriateness* Test; and

(c) to setup predetermined Maximum Leverage ratios for any financial instruments that the Company offers to its Clients, and to ensure that any future offering of financial instruments, are subject to approval.

This Policy is handled and supervised by the Compliance Officer. It shall be reviewed by the Compliance Officer on at least an annual basis or more frequently and shall be, as may be required, updated to reflect changes in regulatory obligations (See also Section 6 of this Policy).

The Board of Directors shall remain responsible to ensure that this Policy is applied correctly and consistently and that is reviewed on an at least annual basis.

2. SCOPE

This Policy applies to all financial instruments offered by the Company and made available to its *Retail Clients*.

3. DEFINITIONS

"**Appropriate Client**" shall mean a Client that passed the combined set of questions related to the *Assessment of Appropriateness* test of the Company evidencing that the specific Client have the minimal level of knowledge and experience which will enable them to understand the risks related to using high level of leverage when trading the Products;

T: +357 25 260 333
F: +357 25 024 885
E: info@probusfx.com
W: www.probusfx.com

"**Default Leverage"** shall mean a Leverage ratio of 50:1, equivalent to 2% margin requirement;

"**Inappropriate Client**" shall mean a Client that did not pass the combined set of answers related to the *Assessment of Appropriateness* test evidencing that a potential Client does not hold the minimal criteria to understand the risks related to using high level of leverage when trading the Products;

"**Products**" shall mean the financial instruments offered by the Company: Forex (Rolling Spot FX), Contract for Differences, and Binary Options which are all known as a "complex" financial instrument according to the relevant laws and regulation;

"**Leverage**" is ratio of the margin requirement imposed by the Company per each Product when opening a new position to the total volume. For example, if the Company requires a minimum 2% margin in a Client account related to CFDs on commodities, this means that a Client must have at least 2% of the total value of an intended position available as margin in his/her account, before proceeding with the placement of the order. Expressed as a ratio, 2% margin is equivalent to a 50:1 leverage ratio (1 divided by 50 = 0.02 or 2%);

"**Maximum Leverage**" shall mean a Leverage ratio of 200:1, provided that for certain Products the Leverage shall be capped in lower levels e.g. 25:1 and 50:1 as detailed in the **Annex** attached hereto.

"**Risk Warning**" shall mean a clear and prominent notification stating to the potential Client of the risks of utilizing high levels of Leverage exceeding the Default Leverage and shall cover the points mentioned in Q1 of Section 3 of ESMA's Q&A;

4. LEVERAGE OFFER CLASSES

The Company shall be offering three (3) classes of Leverage according to the Client's experience and background. This arrangement is done in the best interests of the Client. Low leverage levels protect inexperienced Clients, while higher leverage levels enable knowledgeable Clients to benefit from Leverage's advantages. Furthermore, at any certain class of Leverage, the Leverage levels offered shall be differentiated according the category of the underlying asset (i.e. the asset class). This way it is ensured that the riskiness faced by each Client at each level of Leverage level remains at similar levels, irrespective of the asset class to which the Client invests in.

To this end the Company maintains three groups of Leverage Offers (See in Annex the detailed breakdown including the applicable Margin Call and Stop Out Levels per Offer):

(a) Default Leverage Offer: A conservative Leverage Offer, suitable for all Clients including the inexperienced i.e. Inappropriate Clients. It allows the Client to enjoy some of the increased profitability potentials that Leverage brings but without exposing the Client to uncontrollable risks.
(b) Advanced Leverage Offer: A balanced Leverage Offer more appropriate for experienced and skilful Clients i.e. only Appropriate Clients which wish to deploy a risky strategy which benefits from the Leverage element.
(c) High Leverage Offer: A highly risky Leverage Offer, appropriate only for the most experienced and skilful Clients i.e. only Appropriate Clients which wish to deploy a highly risky speculative strategy with high profit potentials in exchange of higher risks of losing all of his/her invested capital.

The above Leverage offers apply in cases of normal conditions. Where extreme volatility is expected (e.g. in periods of news announcements or geopolitical events such as elections, referendums, war conflicts) the offered Leverage shall be reduced accordingly to the levels decided by the Risk Manager in conjunction with the Company's Senior Management and the Compliance Officer (See Section 8.1 of this Policy).

5. ALLOCATION OF SUITABLE LEVERAGE TO THE CLIENTS

All Clients will be provided with the Default Leverage.

To this end, Clients wishing to receive Leverage other than the default shall request this from the Company in writing.

In order for the Company to proceed with the review of the request will need to re-examine the answers provided by the Client as part of the account opening application. (Review of *Assessment of Appropriateness* test).

Only the Clients who have passed the *Assessment of Appropriateness* test will be eligible for the Advanced Leverage Offer which they may chose after the opening of a trading account with the Default Leverage.

In any case the Company will provide the Clients with the Risk Warning related to the risks of increased Leverage which the Clients will need to accept in order to increase his Account Leverage to the Advanced Leverage Offer.

High Leverage Offer will be available **only** upon Client's request, following the opening of a trading account and at the Company's sole discretion, provided that the Client has passed the Company's *Assessment of Appropriateness* test.

Moreover, Clients wishing to receive the High Leverage Offer must successfully pass an additional evaluation of their understanding in trading leveraged Products and the Risks entailed by these Products such as the level of the positions they wish to open, the purposes of his/her trading activity, the level of his/her disposable income (See Section 7 of this Policy).

The said questionnaire shall be dispatched to the Clients upon request.

The Compliance Officer shall be responsible to review and assess the answers by the Client. The Risk

Manager shall also review the part of the Additional Evaluation Questionnaire (See Section 7 of this Policy) relating to the Clients anticipated trading activity and anticipated deposits (See also Section 6 of this Policy) and assess the risks/impact that the Clients (anticipated) trading activity will have on the Company's Capital Basis in case of abrupt adverse market movements. Where deemed necessary the Risk Manager should suggest to the Company's Senior Management to take rectifying actions (See also Section 6 of this Policy).

In any case the Company will provide the Clients with the Risk Warning related to the risks of increased Leverage which the Clients will need to accept in order to increase his Account leverage to the High Leverage Offer.

T: +357 25 260 333
F: +357 25 024 885
E: info@probusfx.com
W: www.probusfx.com

Requests to reduce Leverage (i.e. to move to a lower Leverage level of the Client than his existing level) will be processed by the Administration/Back Office Department in coordination with the Brokerage Department without any further questions.

Inappropriate Clients are not eligible to request higher leverage. The said Clients will have the right to re-undertake the *Assessment of Appropriateness* test after having a trading account with the Company or another regulated broker for a period of twelve (12) months and in case of successfully having passed the *Assessment of Appropriateness* test, they will be eligible for receiving the Advanced or High Leverage Offer.

All requests for the change of leverage, the assessment of the Client for the provision of the High Leverage Offer and the respective Risk Warning acknowledgements will be recorded in the Back Office Systems of the Company i.e.. in the respective Client Records.

6. APPLICATION AND CONTROLS

The Compliance Officer shall regularly review and update this Policy from time to time as shall be necessary to adhere to changes in the relevant legislation and level of risk.

Further, the Company's Brokerage Department shall be performing periodically and on a consistent basis statistical analysis of the market the results of which shall be provided to the Compliance Officer, the Risk Manager and the Senior Management for assessing the Company's Leverage Offers, as well as the Margin Call and Stop Out Levels (See also Annex).

Moreover, the Risk Manager of the Company shall be responsible for monitoring on an ongoing basis the actual trading activity of Clients receiving the Advanced and High Risk Leverage in conjunction with the Company's Capital Basis and financial strength and suggest rectifying actions to the Company's Senior Management where deemed necessary.

Rectifying actions might be any or a combination of the following:

a. Limit the size of a Client's positions that a Client is allowed to have open at each point in time.
b. Increase the margin/call stop-out levels for the Client.
c. Request from the Company's Shareholder(s) to increase the Company's Own funds thus creating a Capital Buffer above the Company's regulatory required minimum own funds which will protect the Company in case of abrupt adverse market movements.
d. any other actions deemed necessary and appropriate by the Risk Manager in order to protect the the Company's Capital Base and financial strength Position in case of abrupt adverse market movements (see also point 8.2 of this Policy).
e. any other action deemed necessary by the Risk Manager to protect the Company's Capital Base and financial strength Position in case of abrupt adverse market movements (see also point 8.2 of this Policy).

Finally, the Senior Management of the Company shall be responsible for ensuring that this Policy which is part of the Company's Client acceptance policy (CAP) is followed and maintained by the relevant personnel.

7. ADDITIONAL EVALUATION QUESTIONNAIRE

Additional evaluation questionnaire should obtain information from the Client:

a. to ensure that he/she understands the concept of leverage,
b. detailed information regarding the Client's financial situation
   - salary,
   - other income
   - monthly expenses,
   - other financial requirements (e.g. loan repayments, other financial obligations),
c. information regarding the Client's anticipated trading activity including
   - anticipated Underlying Assets that the Client will invest in
   - anticipated number of positions open at each point in time
   - anticipated size of open positions
   - anticipated deposit amounts
   - anticipated trading strategy (e.g.. news trading/intraday trading/high frequency etc)

The matters to be addressed for Clients wishing to have access to the Company's High Leverage Offer as part of an additional evaluation are the following:

(a) The initial margin required corresponding to the anticipated position size that the Client will have open at each point in times should be less than 25% of the Client's disclosed expected deposit. This comforts the Company that the Client has a buffer of funds to absorb abrupt market movement roughly equal the daily average volatility of major currency pairs (1%) at the advanced Leverage level of 1:200 which will be accumulated prior to exposing the Company to any losses because of the Negative Balance Protection (see also Section 8.2 of this Policy).
(b) Annual net income must be greater than EUR 20.000 per year. This is required in order to safeguard the Client's ability to cover his financial obligations does not deteriorate.
(c) Client age is less than 48. This ensures that the Client has ability to absorb financial losses without adversely affecting his/her retirement.
(d) The Client must demonstrate trading activity with actual evidence with an EU (or from other equivalent jurisdiction) broker for more than twelve (12) months of greater than forty (40) trades. This trading experience ensures that the Client has the sufficient experience in trading CFDs in order to understand the risks entailed by Leverage.
(e) Reason for opening the trading account with the Company shall be *speculation*.

The Compliance Officer shall be responsible for ensuring compliance with the above on an ongoing basis.

8. OTHER

8.1. Leverage Margin Call Level and Stop Out levels during extreme conditions

During expected extreme volatility is expected (e.g. in periods of news announcements or geopolitical events such as elections or referendums) the offered Leverage shall be reduced accordingly to the levels decided by the Risk Manager in conjunction with the Company's Senior Management and the Compliance Officer.

T: +357 25 260 333
F: +357 25 024 885
E: info@probusfx.com
W: www.probusfx.com

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.

8.2. Negative Balance Protection

The aim of this Policy shall also be to ensure that the maximum loss of Clients at any point in time never exceed the Client available funds. To this effect, the Company's systems and terms of business/Client agreement shall be setup in such a way that the Clients' balance in case it ever becomes negative shall be zeroed without any obligations/liabilities from/against the Clients.

ANNEX

Leverage levels

Asset Class	Default	Advanced	High
Currencies (Forex)	1:50	1:100	1:200
Stocks	N/A	N/A	N/A
Indices	1:50	1:100	1:200
Commodities/Energies	1:25	N/A	1:25

Stop Out Level/ Margin Call Level for all Account Types (Classic/Standard/Premium)

Asset Class	Margin Call Level	Stop Out Level
Currencies (Forex)	50%	30%
Stocks	50%	30%
Indices	50%	30%
Commodities/Energies	50%	30%