



LEVERAGE & MARGIN POLICY

LEVERAGE AND MARGIN POLICY	
APPROVER(S):	Board of Directors
OWNER:	GWG (Cyprus) Ltd
CONTACT PERSON:	Compliance Officer
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INTRODUCTION

GWG (Cyprus) Ltd is a Cyprus registered company (C342580), with registered address 18 Kyriakou Matsi Avenue, Victory Tower, Office 302, Nicosia 1082, Cyprus (“the “Company”, “we” or “us”) is a Cyprus Investment Firm licensed and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under license number 291/16.

This Policy forms and integral part of the Company’s Policies and Operation’s Manuals and shall be reviewed at least on an annual basis and updated accordingly.

The Company reserves the right to amend or supplement this Policy at any time. This Policy does not replace our Terms and Conditions which we ask that you read carefully before you enter into any trading.

This Policy sets out how we set Leverage and Margin levels and procedures with respect to our clients’ trading with the Company. You must read this Policy carefully before you enter into any trading with us. If any terms of this Policy are unclear to you, you should seek independent legal advice.

This Policy has been approved by the Company’s Board of Directors.

This Policy aims 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
- 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
- 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.



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. To see a full list of the CFDs we offer, please visit our [website](#) under section “Trading”.

The Policy explains the key aspects of leverage trading with margin and what leverage levels we make available depending on your knowledge and experience and regulatory requirements. It also outlines the impact on your margin and account where negative market movements occur.

APPLICABILITY

This Policy applies to company’s execution of orders on behalf of Retail clients and Professional clients according to the Regulations, as defined below. It does not apply to you if you are an Eligible Counterparty as defined under the Regulations.

The Policy does not constitute an offer, invitation or solicitation to buy or sell CFDs.

All examples provided within this policy are only for information purposes and do not constitute investment advice.

OUR COMMITMENT

Treating Customers Fairly is central to our corporate culture and ethos.

We have a duty to act honestly, fairly, professionally and in the best interest of our clients when dealing with them.

In relation to Leverage and Margin, we are 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 perform our duty to treat you fairly by avoiding aggressive leverage practices towards you;
- c) To provide you with 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 capitalisation 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 you with trading leverage, we are taking into consideration our own risk management appetite and risk bearing capacity and to establish in place policies, procedures and practices to manage our (primarily) market risk emanating from such leverage and margin trading by our clients;

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- e) To apply regulatory requirements and caps set by CySEC or any other regulator in jurisdictions where we offer our services;
- f) To inform you that trading in CFDs and FX contracts is highly speculative; it involves a significant risk of loss and is not suitable for all investors other than those customers who: understand and are willing to assume the economic, legal and other risks involved; are experienced and knowledgeable in trading in derivatives and in the underlying asset types; are financially able to afford losses.
- g) To notify you that CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. 63.63% of retail investor accounts lose money when trading in CFDs with us. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

LEGAL FRAMEWORK

This Policy is issued pursuant to, and in compliance with the requirements of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (“MiFID II”) and the Law of the Republic of Cyprus 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, and the Investment Services and Activities and Regulated Markets Law of the Republic of Cyprus Law L. 144(I)/2007 to the extent it remains applicable after coming into force of MiFID II.

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.

In this policy, we collectively refer to all the above legislations, regulations and guidelines as “Regulations”.

LEVERAGE RATIOS FOR DIFFERENT ASSET CLASSES/FINANCIAL INSTRUMENTS/CLIENTS CATEGORIES

We enable you to trade in CFDs via our downloadable and mobile trading platforms.

For Retail Clients

For Retail Clients, regulation prescribes the leverage limit, which cannot exceed a default level of 1:30. In general, we internally classify Retail Clients as follows:

- a. **Experienced Retail Clients:** Clients who get a high score in the Appropriateness test, demonstrating satisfactory knowledge and experience in trading in complex financial instruments like CFDs;



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Experienced Retail Clients can trade with a variable leverage ratio which cannot exceed 1:30 subject to the caps that we may apply based on our internal principles of risk appetite and tolerance;

- b. **Less Experienced Retail Clients:** Clients that get an average score in the Appropriateness test. Whilst such clients are deemed to possess certain knowledge and experience in trading in complex financial instruments like CFDs, 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 1:30 or at any lower level that we may apply based on our internal principles of risk appetite and tolerance.

Professional Clients

Professional clients, whether per se or eligible, are able to trade with higher leverage.

Specifically, the Company offers Professional clients the option to select higher leverage ratio of up to 1:200 based on the underlying instrument, and our Leverage and Margin Policy.

Leverage Profiles

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 platform:

Retail Clients

Asset Class	Examples of financial instruments in the specific asset class	Leverage ratios
CFDs on		
Foreign Exchange ("FX") - Major currency pairs	EUR/USD, GBP/USD, USD/CHF, EUR/CHF	Up to 1:30
Foreign Exchange ("FX") - Minor currency pairs	AUD/CHF, AUD/JPY, CHF/NOK	Up to 1:20
Metals on Gold	XAU/USD, XAU/EUR	Up to 1:20
Metals on Silver	XAG/USD, XAG/EUR	Up to 1:10
Indices	DJCUSD.c, AXCAUD.c	Up to 1:20 except HKCHKD.c & ES35 1:10
Commodities, Futures on commodities	USOIL.c, UKOIL.c LSGR.f, USSGR.f, NATGAS.f, CPPR. f	Up to 1:10 Up to 1:50

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Cryptocurrencies	BTCUSD.g, ETHUSD.g	Up to 1:2
Stocks	META.g, AMZN.g	Up to 1:5



Professional Clients

Asset Class for CFDs on	Examples of financial instruments in the specific asset class	USD 10k – 0.5 mln	USD 0.5 mln - 1 mln	USD > 1 mln
		EUR 10k – 0.5 mln	EUR 0.5 mln - 1 mln	EUR > 1 mln
Leverage ratios based on USD/EUR Equity				
Foreign Exchange (“FX”) - Major currency pairs	EUR/USD, GBP/USD, USD/CHF, EUR/CHF	Up to 1:200	Up to 1:150	Up to 1:100
Foreign Exchange (“FX”) - Minor currency pairs	AUD/NOK, EUR/TRY, GBP/SGD	Up to 1:133	Up to 1:100	Up to 1:66
Metals on Gold	XAU/USD, XAU/EUR	1:100	1:75	1:50
Metals on Silver	XAG/USD, XAG/EUR	1:20	1:15	1:10
Indices	DJCUSD.c, SPCUSD.c	1:100	1:100	1:100
Commodities, Futures on commodities	USOIL.c, UKOIL.c LSGR.f, USSGR.f NATGAS.f, CPPR.f	1:10 Up to 1:50	1:10 Up to 1:50	1:10 Up to 1:50
Cryptocurrencies	DOTUSD.g, XLMUSD.g	Up to 1:10	Up to 1:10	Up to 1:10
Stocks	NVDA.g, BABA.g	Up to 1:20	Up to 1:20	Up to 1:20

Leverages are applied on an asset class basis or on any other basis or per financial instrument as we may determine at our discretion or according to Regulations. Subject to change with or without notice to reflect market conditions. The applicable leverage ratios per asset type at any point in time can be found on the Company’s [website](#).

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

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address likely market and financial instrument volatility. Where possible, we will give you 3 business days' notice when such a change occurs, so as to enable you to take any action you may consider appropriate.

Leverage Trading and Margin – key terms

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” by which you cannot lose more funds than what you have invested. The leverage is variable as a ratio. 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 3.34%.

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

What is 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 0.3 pips or 3 points.

What is Initial/Required Margin?

The Initial Margin is a percentage of the full value of position that you, as the client must have as collateral in order to open a CFD position, also referred to as Used Margin. The Used Margin per position is derived from the following formula: $(\text{Amount} * \text{Instrument price}) * \text{Initial Margin \%}$.

For the purposes of calculation of the Used Margin, the “Initial Margin %” is determined by the Company in its sole discretion in respect of each underlying Financial Instrument and is specified in our Trading Platform and our website.

Required margin refers to the amount you are required to have at the time of opening a position.



Example: you intend to buy a CFD on 10 barrels of oil at a price of 51.30 per barrel.

The initial margin % on the Oil CFD is 10%. Your required margin is calculated as follows: $(10 * 51.30) * 10\% = \$51.30$

We may modify the Margin requirements applicable to any new (but not existing) positions of our customers for the purpose, inter alia, of preventing abusive trading and managing our market exposure in the following circumstances:

- We may change the margin requirements applicable to any positions opened less than 1 (one) hour **before** the closing of the market of the underlying Financial Instrument (or other instrument) of the CFDs;
- We may change the Margin requirements applicable to any positions opened less than 1 (one) hour **after** the opening of the market of the underlying Financial Instrument (or other instrument) of the CFDs;
- We may change the Margin requirements applicable to any positions opened less than 1 (one) hour **before and after** any schedule earnings reports or announcements by the issuers of the underlying Financial instrument (or other instrument) of the CFDs;
- Where changes in Margin are necessary to control out total market exposure.

Notwithstanding the above, we reserve the right to alter the timeframes for Margin changes stipulated above in the event of unforeseen changes in the market conditions or where it is otherwise necessary to prevent abusive or manipulating trading. You are advised to monitor our trading platform and our website for up-to-date information regarding the Margin requirements.

What is Equity?

In brief, Equity can be defined as the value of your portfolio with us. Effectively it is the value of your funds with GWG (Cyprus) Ltd (which at any point in time include realised profits and losses) plus the unrealised profits and loss on your CFDs based on their latest quoted valuation.

Introduction to Margin level

The Margin level indicates how close your account is to a margin call. It is calculated as Equity/Initial Margin and is typically shown in “%”. 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 to always monitor this margin level. While from time to time, we may send you notifications especially in the case where your Margin Level reaches certain thresholds, you need to remember that, under the Terms and Conditions between you and us it is your responsibility to always monitor the margin level and take relevant actions.

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.

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What is Free Margin?

Free Margin is the amount of total funds available for use, as initial margin for new positions. This is calculated by subtracting the margin used for your current open positions from your Equity.

What is Maintenance Margin?

Maintenance Margin refers to the minimum equity you need to have, in order to keep your positions open. This is commonly referred to as “maintenance requirement” or “minimum maintenance”. If your equity falls below the minimum equity, the Margin Close out Level will be met and your open position(s) will start liquidating, without any notice by us to you, starting from the position with the highest loss. The Maintenance Margin requirement varies depending on the financial instrument. Our default Margin Close Out Level is set at 50%.

What is Used Margin?

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

Example: you open a position of 1,000 EUR/USD at 1.1175. Assume that the initial margin requirement is 3.34% (i.e. a leverage of 1:30). The margin used for your position is calculated as follows: $(1,000 * 1.1175) / 30 = \37.25

In addition, you open a position of 5 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: $(5 * 107.7) * 20\% = \$107.7$

Therefore, the total Used Margin that you see in your account with us is $\$37.25 + \$107.7 = \$144.95$

Example when hedging your position:

Assume your account leverage is 1:30.

You open 0.10 lots long position on EUR/USD at 1.17795. Assume that the initial margin requirement is 3.33% (i.e. leverage of 1:30). The Used Margin for this position is \$392.65 $(Lots * Contract size * opening size) * initial\ margin\%$.

If you decide to hedge this position, meaning to open a short position on the same asset, you will not be required to have any margin amount except for cryptos and shares where you will be required to have 50% margin for hedge positions. This is because when you have two opposite direction positions on the same asset with the same volume, the Used Margin of the long position offsets the short position.



In this example, if you open additionally 0.10 lots short position on EUR/USD at 1.17827, then the Total Used Margin for both positions will be calculated as follows:

Short positions: $((\text{Lots} * \text{Contract size} * \text{opening price}) * 3.33\%) = ((0.10 * 100,000 * 1.17795) * 3.33\%) = \392.66

Long Position: $((\text{Lots} * \text{Contract size} * \text{opening price}) * 3.33\%) / 2 = ((0.10 * 100,000 * 1.17827) * 3.33\%) / 2 = \392.76

Total Used Margin = \$0

What is Margin Level?

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

Margin level % = $(\text{Equity} / \text{Used Margin}) * 50$

Please note that we reserve the right to change the margin requirements at our sole discretion without prior notification to you, based on actual or expected (in our opinion) market volatility or our view of market conditions in general.

Example:

Your equity is \$1,000

You wish to open a Buy position of \$10,000 vs CHF

Margin requirement: if for the USD/CHF pair, the margin requirement is 3.33% which equals \$333.

Our Margin Call Policy

It is your sole responsibility to monitor the margin level of your positions in real-time via your web trading platform or your mobile/tablet app.

In the event that your margin level drops below 50%, you will not be able to open any new positions. Please note that it's your own responsibility to monitor the performance of your account.

As mentioned above, the 50% margin level is the minimum level you need to maintain for your open position(s).



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Should your margin level fall below the minimum of 50%, then we reserve the right to liquidate all or a part of your open trades and close any open positions at our discretion, until your account margin level rises above the 50%. We will liquidate positions starting from the position with the highest loss.

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.

Negative Balance Protection

We offer all our retail clients Negative Balance Protection. This means that you will never lose more than the amounts you have invested with us.

Conflicts of Interest

In line with our culture and policy of treating customers fairly, we hereby remind you with regards to the financial instruments provided for the company, the company will act as the Client's agent and will execute these orders on the Clients behalf. The Execution Venue employed by the company for the Purpose of executing the Client's orders is Broctagon Prime Ltd.

Please refer to our Conflict of Interest Policy for further details which is found on our website.

Applicable language

Please note that, if you have been provided with a copy of this policy in any language other than English, such policy is provided to you for information purposes only. The English version of this Policy is the version that is binding at GWG (Cyprus) Ltd at all times.

Questions

For any questions regarding this Policy, please contact at a first instance the Support Department at support@gwtrade.eu or via live chat.