Invest.

LEVERAGE POLICY

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Contents

1. INTRODUCTION

Conotoxia Ltd is a Cyprus Investment Firm, regulated by Cyprus Securities and Exchange Commission ("CySEC") with license number 336/17.

2. LEGAL AND REGULATORY FRAMEWORK

This Leverage Policy (the "Policy") is issued pursuant to and in accordance with the requirements of:

- Circular C168 on ESMA's Q&A document relating to the provision of Contracts for Difference and other speculative products to retail investors under MiFID ("Circular C168");
- Circular C271 of the Cyprus Securities and Exchange Commission (hereafter "CySEC");
- EU Directive 2014/65/EU on Markets in Financial Instruments (hereafter "MiFID");
- Law 87(I)/2017 for the Provision of Investments Services, the Exercise of Investment Activities and the Operation of Regulated Markets (hereafter "the Law");
- ESMA/2016/1165 - Questions and Answers relating to the provision of CFDs and other speculative products to retail investors under MiFID;
- ESMA35-43-1135 – Notice of ESMA's product intervention decisions in relation to CFDs and Binary Options;
- ESMA35-36-1262 – Questions and Answers on ESMA's temporary product intervention measures on the marketing, distribution or sale of CFDs & Binary Options to retail clients;
- ESMA Decision (EU) 2018/796 of 22 May 2018 to temporarily restrict contracts for differences in the Union in accordance with Article 40 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council;
- Directive DI87-09 Restriction in relation to the Marketing, Distribution or Sale of Contracts for Differences ("CFDs");
- CySEC's Consultation Paper (CP-02-2019) and the subsequent Policy Statement (PS-04-2019) to Retail Clients.
- Decision No DAS.456.2.2019 OF THE Polish Financial Supervisory Authority of 1 August 2019 on the establishment of restrictions on the marketing, distribution and sale of contracts for difference (CFDs) to retail clients – applicable for Polish Clients.
- PL Trading in Financial Instruments Act – applicable for Polish Clients.

3. DEFINITIONS

"Balance" is the realized capital value/amount of money held within client(s)' account(s), including realized profit/loss of the completed/closed trades/transactions, deposits and withdrawals transactions;

"CFD" or "Contract for Difference" means a complex derivative financial instrument, offered by the Company for trading, with leverage. The CFD contract is a contract for differences by reference to variations in the price of an underlying asset, of the relevant CFD. CFDs are not subjected to physical delivery of relevant underlying asset(s);

"Equity" is the total capital value/amount held within client(s)' account(s) and is based on the account(s)' balance +/- profit/loss of positions held open, at the time. Equity is calculated as: Equity = Balance + Floating Profit – Floating Loss;

"Financial Instruments" means Contract for difference ("CFD");

"Initial Margin" is the amount of money required to open a new position (trade). Initial Margin is calculated based on the current market price of the relevant financial instrument, the Nominal value of the relevant financial instrument (volume) and the leverage of client(s)' account(s). In cases where the Initial Margin is in a currency, other than the base currency of client(s)' account(s), the amount is converted into the base currency of client(s)' account(s);

"Leverage" means a ratio between the Transaction size and the Initial Margin. Leverage enables client(s) to transact with financial instrument(s), without committing the full amount of the capital upfront;

"**Margin**" or "**Margin Level**" is the amount of funds required to be maintained within client(s)' account(s), as collateral, for opening new position(s). Margin Level indicates the ratio of equity to Used Margin (Margin = Equity - Used Margin);

"Margin Call" means the level of client(s) account(s) when equity of the relevant account(s) is less than the initial margin required for opening new positions. Margin call occurs when the Margin Level is below 100%;

"Margin Close-out" means Stop-Out;

"**Maximum leverage" or Default,** is the maximum leverage offered by the Company, for financial instruments offered by the Company, in normal market conditions;

"Professional Client" is the client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs, in accordance with MiFID;

"Retail Client" is the client who is not professional;

"Retail Experienced Client" is a retail client, based in Poland, who possesses the requisite experience and sufficient knowledge of financial instruments offered by the Company, specifically CFDs, and meets criteria to be categorized as such, whereby provided by higher leverage than the Retail Client;

"**Stop-Out**" occurs when a Margin Level of client(s)' account(s) falls below the threshold. Stop-Out refers to the scenario in which the Company automatically closes client(s)' open positions. The purpose of the Stop-out is to protect client(s)' account(s)' falling into a Negative Balance.

4. SCOPE

The scope of the Policy is to define the leverage provided to the Company's clients. The Policy explains the concept of leverage trading and its impact on investment outcomes and outlines the criteria for determining the leverage and margin levels, with respect to financial instruments offered to clients for trading, specifically Contract for Difference ("CFD").

CFDs are complex products, and it may be difficult for clients to understand the associated risks. This Policy outlines the factors and impact of the leverage, and margin trading, on client(s)' account(s). The Policy is relevant to clients engaging in speculation on short-term price movements of CFD's. Therefore, as part of the account opening procedure, the Company shall assess the appropriateness of clients for transacting with CFDs.

5. POLICY

The Policy applies to services provided by the Company to both Retail and Professional clients. The leverage provided to Retail clients aligns with the legislative requirements to act in the best interest of clients and increasing investor protection.

The Policy considers many factors affecting the leverage, provided by the Company, especially to Retail clients. Different Maximum leverage/default is provided by the Company, based on the underlying asset (asset class) of the relevant CFD and client(s)' categorization.

Lower leverage is designed for the Retail clients' protection, while acting in the interests of clients. It is specifically designed to protect inexperienced Retail clients, while higher leverage is designed and offered to clients with more knowledge and trading experience.

The Company provides Retail clients with leverage ratios ranging between 1:30 to 1:1 (depending on the financial instrument) for CFDs.

The following conditions are considered for leveraged trading:

- Imposing leverage limits for Retail clients, when opening position(s);
- Applying uniform leverage limits for Retail clients based on the type and volatility of the underlying asset, for relevant CFD(s):
- Introducing Margin Call when funds (equity), within the relevant client(s)' account(s), fall below the 100% of the Initial Margin;
- Introducing Margin Close-out (Stop-out) mechanism when equity, within the relevant client(s)' account(s), fall below 50% of the margin required to maintain open positions;
- Introducing Negative Balance Protection for Retail Clients to prevent them from losing more than the total invested funds.

6. LEVERAGED TRADING

Trading with leverage means that clients can trade with amounts significantly higher than the invested funds, which merely serves as the margin. Higher leverage has the potential to increase the return, however it can also significantly increase losses.

The leverage is variable as a ratio.

The Company provides clients with leveraged products for trading, such as CFDs. The leverage component of trading introduces an additional level of complexity and may pose challenges in understanding, particularly for Retail Clients, regarding the way that leverage impacts the risk associated with CFD trading. Leverage trading enhances potential profits and potential losses.

To allocate the leverage, the Company shall take the following steps:

- All clients will receive the Maximum Leverage, by default;
- Clients who wish to change the leverage must submit a written request to the Company and must meet the criteria specified by local supervisory bodies. Polish clients may be offered higher leverage, in accordance with Decision No DAS.456.2.2019 of The Polish Financial Supervisory Authority of 1 August 2019 on the establishment of restrictions on the marketing, distribution and sale of contracts for difference (CFDs) to retail clients;
- Clients have the option to request lower leverage from the Maximum (Default) Leverage;
- The Company reserves the right to decrease the leverage applied to client account(s) without their consent, considering the market conditions of the relevant financial instrument(s) and the Company's exposure to a single financial instrument.

The available funds, which remain on client(s)' account(s), and which are not covered by the Initial Margin at the time of entering into a transaction, may be used by the Company to top up the Margin for the purposes of maintaining client(s)' open position(s), without prior notification.

7. FACTORS

Leverage levels offered to clients shall adhere to the relevant regulatory requirements.

The Company consideration the factors, before offering leveraged trading to clients, in accordance with the following:

- Set leverage levels that align with client(s)' knowledge and trading experience, given that leverage and margin are key characteristics of CFD trading;
- Ensure fair treatment of clients and abstain from adopting and offering aggressive leverage practices;
- Take into consideration the characteristics of the asset class for financial instruments available for trading, including liquidity, trading volume, volatility, market capitalization, issuer country, economic climate, and geopolitical events;
- Assess the Company's capital base and financial stability based on capital adequacy;
- Consider categorization of clients (retail, retail-experienced - in Poland, professional);
- Adhere to requirements and limitations stipulated by regulatory bodies such as local product interventions;
- Evaluate the Company's risk management framework and risk appetite to manage market risks stemming from leveraged and margin trading, adhering to established policies, procedures, and practices;
- Offer pricing for financial instruments based on the offerings provided by the Company's Liquidity Providers;
- Apply maximum leverage levels under normal market conditions. During periods of extreme volatility (e.g., news announcements, geopolitical events like elections, referendums, or conflicts), leverage may be reduced to levels deemed appropriate for both the Company and clients.

8. LEVERAGE MECHANISMS IN PRACTICE

Example 1:

Client buys 10,000 EUR, for USD, exchange rate for EUR/USD = 1.10. Client's account base currency is USD.

			Leverage			Capital requirement / Initial margin
Instrument	**Exchange rate EURUSD**	**Nominal value**	**1:1**	**1:30**	**1:100**	**Account base currency USD**
EURUSD	1.1	10,000	10,000 *1.1 /1	-	-	11,000 USD*
EURUSD	1.1	10,000	-	10,000	-	366.67 USD**

				*1.1 / 30		
EURUSD	1.1	10,000	-	-	10,000 *1.1 / 100	110 USD***

* if traded with leverage 1:1, capital required for buying 10,000 EUR, at rate 1.1 is USD11,000.

** if traded with leverage 1:30, capital required for buying 10,000 EUR, at rate 1.1 is USD366.67.

*** if traded with leverage 1:100, capital required for buying 10,000 EUR, at rate 1.1 is USD110.

Example 2:

Client buys 100,000 EUR, for USD, exchange rate for EUR/USD = 1.10. Client's account base currency is USD or EUR.

			Leverage			**Capital requirement / Initial margin**	
Instrument	**Exchange rate EURUSD**	**Nominal value**	**1:1**	**1:30**	**1:100**	**Account base currency USD ***	**Account base currency EUR****
EURUSD	1.1	100,000	100,000 *1.1 /1	-	-	110,000 USD	110,000 USD / 1.1 100,000 EUR
EURUSD	1.1	100,000	-	100,000 *1.1 / 30	-	3,666.67 USD	3,666.67 USD / 1.1 3333.33 EUR
EURUSD	1.1	100,000	-	-	100,000 *1.1 / 100	1,110 USD	1,110 USD / 1.1 1,000 EUR

*if the base currency of the Client's account is USD:

- leverage 1:1, capital required for buying 100,000 EUR, at rate 1.1 is USD110,000.
- leverage 1:30, capital required for buying 100,000 EUR, at rate 1.1 is USD3,666.67.
- leverage 1:100, capital required for buying 100,000 EUR, at rate 1.1 is USD1,100.

** if the base currency of the Client's account is EUR:

- leverage 1:1, capital required for buying 100,000 EUR, at rate 1.1 is EUR 100,000.
- leverage 1:30, capital required for buying 100,000 EUR, at rate 1.1 is EUR 3,333.
- leverage 1:100, capital required for buying 100,000 EUR, at rate 1.1 is EUR 1,100.

Example 3:

Client buys 10,000 PLN, for EUR, exchange rate for EUR/PLN = 4.30. The client's account base currency is PLN or USD.

	Exchange rate			Leverage			Capital requirement / Initial margin		
Instrument	EURPLN	EURUSD	Nominal value	1:1	1:30	1:100	Account base currency PLN*	Account base currency EUR**	Account base currency USD***
EURPLN	4.30	1.05	10,000	10,000 *4.30 /1	-	-	43,000 PLN	10,000 EUR	10,000 EUR *1.05 10,500 USD
EURPLN	4.30	1.05	10,000	-	10,000 *4.3 / 30	-	1,433 PLN	333.33 EUR	333.33 EUR *1.05 350 USD
EURPLN	4.30	1.05	10,000	-	-	10,000 *4.3 / 100	430 PLN	100 EUR	100 EUR * 1.05 105 USD

* if the base currency of the Client's account is PLN:

- leverage 1:1, capital required for buying 10,000 EUR, at rate 4.3 is PLN 43,000.

- leverage 1:30, capital required for buying 10,000 EUR, at rate 4.3 is PLN 1,433.

- leverage 1:100, capital required for buying 10,000 EUR, at rate 4.3 is PLN 430.

** if the base currency of the Client's account is EUR:

- leverage 1:1, capital required for buying 10,000 EUR, at rate 4.3 is EUR 10,000.

- leverage 1:30, capital required for buying 10,000 EUR, at rate 4.3 is EUR 333.33.

- leverage 1:100, capital required for buying 10,000 EUR, at rate 4.3 is EUR 100.

*** if the base currency of the Client's account is USD:

- leverage 1:1, capital required for buying 10,000 EUR, at rate 1.05 is USD 10,500.

- leverage 1:30, capital required for buying 10,000 EUR, at rate 1.05 is USD 350.

- leverage 1:100, capital required for buying 10,000 EUR, at rate 1.05 is USD 105.

9. DEFAULT AND MAXIMUM LEVERAGE

9.1 Maximum leverage (Default) for Retail Clients

RETAIL CLIENTS	
Maximum Leverage (Default)	Financial Instruments

1:30	Major Forex CFDs
1:20	Non-Major Forex CFDs Commodity Gold CFDs Major Indices CFDs
1:10	Commodities except Gold CFDs Non-Major Indices CFDs
1:5	Stocks CFDs ETFs CFDs
1:2	Crypto CFD
1:1	Single Stocks CFDs Single ETF CFDs

9.2 Maximum leverage for Retail Experienced Clients, residing in Poland, as per the Polish regulatory requirement(s)

RETAIL EXPERIENCED CLIENTS	
Maximum Leverage (Default)	**Financial Instruments**
1:100	Major Forex CFDs
1:100– 1:20	Non-Major Forex CFDs
1:100	Commodity Gold CFDs Major Indices CFDs
1:10	Commodities except Gold CFDs Non-Major Indices CFDs
1:5	Stocks CFDs ETFs CFDs
1:2	Crypto CFD
1:1	Single Stocks CFDs Single ETF CFDs

9.3 Maximum leverage for Professional Clients

PROFESSIONAL CLIENTS	
Maximum Leverage (Default)	**Financial Instruments**
1:300	Major Forex CFDs
1:100 – 1:20	Non-Major Forex CFDs
1:100	Commodity Gold CFDs Major Indices CFDs
1:100	Commodities except Gold CFDs Non-Major Indices CFDs
1:5	Stocks CFDs ETFs CFDs
1:2	Crypto CFD
1:1	Single Stocks CFDs Single ETF CFDs

10. CHANGE OF LEVERAGE

Client(s) can request a change in leverage applied to their account(s) at any time, provided that the relevant account(s) does not hold any open position. In such cases, the change of leverage can take place only after all open positions have been closed, given that reducing leverage could potentially leave client(s) with insufficient margin to open and/or maintain open position(s).

11. STOP-OUT RULE

The Company applies a Stop-Out rule, on a per-account basis. The Stop-out level is set at 50% of the Margin. The Company shall close one or more open positions until the requisite Margin Level is met.

Client(s) should consider that, in cases where relevant client(s)' account(s) does not maintain enough available funds, above the minimum Margin Level, then, in some situations (e.g. unfavorable market conditions or due to the transactional costs), opening a new position, for a given Financial Instrument, may result in its immediate liquidation i.e. stop-out. The Company therefore recommends clients to maintain sufficient surplus funds, above the minimum Margin Level.

12. NEGATIVE BALANCE PROTECTION

As per the regulatory requirements, the Company provides Negative Balance Protection to Retail clients, to prevent the maximum loss which may occur, within Retail client(s)' account(s). In cases where client(s)' account(s) balances become negative, while carrying no open positions, the relevant account(s) shall be reset to zero, without further obligations/liabilities for relevant Retail client(s).

The Company ensures that regardless of the provided leverage, Retail client(s)' maximum loss never exceeds the available funds. Negative Balance Protection applies on a per-account basis, meaning that the maximum loss, for Retail client(s), within each account, does not exceed available funds. To achieve this, the Company's Margin Close-out/Stop-out restrictions are set at a minimum Margin requirement of 50% on the sum of the Initial Margin(s).

13. UPDATES

The Policy is approved by the Board of Directors and undergoes regular review, at least annually. Updates to the Policy occur when there are changes in regulatory requirements and/or Company operations. The Policy aligns with the Company's operational model, thus any changes in Company operations will be reflected in the Policy.