

LEVERAGE POLICY

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1. INTRODUCTION

Lydya Financial Ltd (the “Company”) operating under the trading name “Forex24” is a Cyprus Investment Firm incorporated and registered under the laws of the Republic, with registration No. 334292. The Company is authorised and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under the license No. 300/16.

2. LEGAL AND REGULATORY FRAMEWORK

This Leverage Policy (hereinafter, the “Policy”) is issued pursuant and in accordance with the requirements of the Directive EU Directive 2014/65/EU on Markets in Financial Instruments (“MiFID II”) and the Investment Services and Activities and Regulated Markets Law of the Republic of Cyprus Law 87(I)/2017, which transposed MiFID II into Cyprus legislation, Directive D187-09 regarding the restriction on the Marketing, Distribution or Sale of Contract for Difference (CFDs) to Retail clients and Circular 271 of CySEC issued pursuant to the European Securities and Markets Authority Decision (EU) 2018/796 to implement product intervention measures on Contracts for Differences (“CFDs”) and Binary Options in the Union, as this may be amended from time to time.

3. PURPOSE

The purpose of this Policy is to set out the leverage granted to the Company’s clients and identify, under which conditions, clients may be granted different leverage, levels when trading with financial instruments offered by the Company, specifically CFDs.

CFDs are complex products, and it may be difficult for a big majority of clients to understand the risk involved.

This Policy outlines the factors and impact of the margin to client(s)’ account(s) and is applicable to clients categorised as “Retail clients”.

This Policy is relevant to clients who are speculating on the short-term movements in the price of CFD’s. Therefore, the Company shall assess appropriateness of clients, as part of the account opening process.

4. COMPANY'S OBLIGATIONS AND COMMITMENT

The Company has a duty to act honestly, fairly, professionally and in the best interests of its clients.

5. FACTORS CONSIDERED

The Company shall take into consideration the relevant factors, prior to providing leveraged trading to clients, and as such, act in accordance with the following:

- 5.1 Set leverage levels that reflect Client(s)' knowledge and trading experience, given that leverage and margin are key characteristics of trading with CFDs;
- 5.2 Treat clients fairly by avoiding offering aggressive leverage practices;
- 5.3 Consider the asset class and financial instrument(s)' characteristics, including the liquidity and trading volume, volatility, market capitalization, country of issuer, general economic climate and geopolitical events;
- 5.4 Consider the capital base and financial strength of the Company, as calculated and monitored, based on the Company's capital adequacy;
- 5.5 Consider the Company's risk management and risk appetite, risk bearing capacity, and have in place policies, procedures and practices to manage the market risk emanating from the leverage and margin trading of clients;
- 5.6 Consider client(s)' categorization (i.e., retail, professional, eligible counterparty);
- 5.7 Apply regulatory requirements and caps, as set by the CySEC and/or the European Securities and Markets Authority ("ESMA").

6. LEVERAGED TRADING

Trading with leverage means that clients can trade amounts significantly higher than the invested funds, which only serves as the margin. High leverage can significantly increase the potential return, but it can also significantly increase potential losses. The leverage is variable as a ratio. Financial instruments offered to clients for trading by the Company, CFDs, are leveraged products.

The leverage component of trading gives an additional level of complexity and may increase the difficulty of understanding, by Retail clients, how the leverage impacts the risk involved when trading with CFDs. Not only does it enhance potential profits, but it also enhances potential losses.

7. POLICY

The Policy takes into account many factors which affect the leverage, offered by the Company to Retail clients. The Company shall be offering different maximum leverage, to Retail Clients, based on the underlying asset (asset class) of the relevant CFD and client(s)' categorization.

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

7.1 Default and Maximum Leverage

In accordance with the legislative requirements, the Company has set the maximum default leverage for all retail clients between 30:1 to 2:1, depending on the type of underlying asset.

The following maximum leverage is offered:

Maximum Leverage	Instruments
30:1	Major currency pairs
20:1	Other currency pairs, major indices, gold
10:1	commodities other than gold and non-major equity indices
5:1	Equities / stocks
2:1	cryptocurrencies

Note: Major currencies are the currency pairs comprising any two of the following currencies: USD, EUR, JPY, GBP, CAD and CHF. Other currency pairs are all other currency pairs.

When calculating the maximum leverage, the Company shall consider the following:

- i) The maximum Leverage provided to the Company's Retail clients, depends on the asset class, including, but not limited to, liquidity and trading volumes, exposure on each symbol, volatility and standard deviation, market cap, hedging capabilities, and the general economic climate and geopolitical events. In addition, internal risk management controls and assessments, based on the capital of the Company, are taken into account when calculating what would be the maximum leverage provided to Retail clients.
- ii) The prices for instruments that the Company makes available for trading, to Retail clients, are very liquid and are based, among others, on the recommendations and availability of the Company's Liquidity Providers.
- iii) The maximum Leverage applies in cases of normal market conditions. In cases of extreme volatility (e.g. in periods of news announcements or geopolitical events such as elections, referendums, war conflicts) the leverage may be reduced to the levels that the Company considers suitable for both, the Company and Retail clients.

Note: The maximum leverage limits do not apply to Professional clients and Eligible Counterparties.

7.2 Allocation of leverage

For the purpose of allocating the leverage, the Company shall take the following steps:

- All Retail Clients will be provided with the Default Leverage;
- Clients wishing to receive Leverage, other than the Default Leverage, shall make a written request to the Company;
- Higher Leverage will be available only upon client(s)' request, following the opening of trading account(s), at the Company's sole discretion, provided that client(s) has passed the Company's Fitness test;
- Clients shall be informed regarding the risks related to changing their Categorisation and trading with increased Leverage;
- Clients shall be entitled to request lower leverage (from the Default Leverage);
- Clients which are not eligible to trade with CFDs are not going to be approved.

Client(s) reserves the right to request changing leverage applied to account(s), held with the Company, at any time, during the relationship with the Company, provided that the Company is taking into account the outcome of the appropriateness test.

The Company shall inform, and client(s) shall acknowledge reading, understanding and accepting the “Leverage Levels”, as provided by the Company.

The Company may reduce the leverage, applied to client(s)’ account(s), without client(s)’ consent taking into consideration the amount(s) deposited by relevant client(s) and based on the Company’s exposure on a single financial instrument.

7.3 Clients who fail or marginally pass the Appropriateness Test

For clients, at the time of applying for opening of account(s) with the Company, and subjected to the appropriateness test, upon the Company’s assessment appropriateness of the financial instruments and investment services so offered, for client(s), the Company shall provide relevant client(s) with a warning that the financial instrument may not be suitable for him/her and that, if client(s) elects to proceed:

- the Client will then proceed at his/her own risk;
- the Default maximum leverage will be either 1:30 (or lower);

7.3 Product Specifications / Margin Call, Stop Out levels

Asset class	Margin call level	Stop out level	Minimum position	Maximum Position	Swap type
Forex Pairs	75%	50%	0.01 lot	500 lots	points
Metals (including Gold)	75%	50%	0.01 lot	500 lots	points
Commodities	75%	50%	0.01 lot	500 lots	points
Energies	75%	50%	0.01 lot	10,00 lots	points
Indices	75%	50%	0.01 lot	1,000 lots	points
Equities	75%	50%	1 lot	1,000 lots	points
Crypto currencies	75%	50%	0.01 lot	10 lots	points

7.5 Adjustment of Leverage

Client(s) shall be able to request adjustment of the leverage applied to their accounts, at any point in time, under the provision that they do not have any open or pending positions. In such events, the Company shall notify the Client(s) that the adjusted leverage will be affected, for client(s)' account(s), after all open positions are closed, given that lowering the leverage may result in client(s)' having insufficient margin to open and/or maintain position(s) open.

7.6 Margin Close-out Rule

The Company shall implement a margin close-out rule, on an account basis. The close-out rule is set to 50% of minimum required margin at which the Company shall close out one or more open positions, until the necessary margin requirement is met.

7.7 Negative balance protection

The aim of this Policy is also to ensure that the maximum loss of clients, at any point in time, never exceed client(s)' available funds. To this effect, in cases where client(s)' balance/equity, at any given time, becomes negative, and considering that there are no positions held open by relevant client(s)' accounts, such account(s) shall be zeroed, without any further obligations/liabilities from/against client(s).

The Company shall ensure that the maximum loss for retail clients, regardless the level of the leverage provided, never exceed the available funds. The negative balance protection applies on an account basis, meaning that the Company shall ensure that the maximum loss for client(s), on an account basis, never exceeds client(s)' available funds in the specific account.

8. UPDATES

The Company will perform a periodical review of this Policy, at least once a year. The Policy is updated in cases where changes in the legislative requirements and/or operations of the Company take place. The Policy is in line with the Company's operational model, and therefore in case of any changes in the operations, these will be properly reflected in this Policy.