



LEVERAGE AND MARGIN POLICY



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This Leverage and Margin Policy is effective from 29 January, 2017 and shall remain effective until a more recent version is released. Safecap reserves the right to amend or supplement this Policy at any time. This Policy does not replace our Investment Services Agreement (Terms and Conditions of Trading) which we ask that you read carefully before you enter into any trading. The prevailing version of this Policy is always available on our website www.markets.com.



This Policy sets out how we set Leverage and Margin levels and procedures with respect to our clients' trading with Safecap Investments Ltd. 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. Please contact us by using the [Online Contact Form](#).

Safecap Investments Ltd ("Safecap") is a regulated investment services firm, authorized in the conduct of its activities by the Cyprus Securities and Exchange Commission ("CySEC") under license number 092/08. Safecap is also authorized by the Financial Services Board ("FSB") in South Africa as a Financial Services Provider under license number 43906. Safecap is located at 148 Strovolos Avenue, 2048 Strovolos, P.O.Box 28132 Nicosia, Cyprus.

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Risk Warning: Trading Foreign Exchange and Contracts for Difference is highly speculative, carries a high level of risk and is not appropriate for every investor. You may sustain a loss of some or all of your invested capital, therefore, you should not speculate with capital that you cannot afford to lose. Please ensure that you fully understand our Risk Disclaimer available at <http://www.markets.com/risk-disclosure-statement>.



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1. INTRODUCTION

Safecap Investments Limited (“Safecap”, the “Company”, “we” or “us”) is a Cyprus Investment Firm licensed and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under license number 092/08 and by the Financial Services Board in South Africa with license number 43906.

2. 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 refer to our [CFD page](#).

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.

3. APPLICABILITY

This Policy applies to Safecap’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.

4. 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 interests 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 have regard to our duty to treat you fairly by avoiding aggressive leverage practices towards you;
- c) To have regard to 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 capitalization 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 the leverage for which you trade, to have regard to our own risk management appetite and risk bearing capacity and to have in place policies, procedures and practices to manage our (primarily) market risk emanating from such leverage and margin trading by our clients;
- e) To apply regulatory requirements and caps as set by CySEC or any other regulator in any jurisdiction we offer our services to.

5. LEGAL AND REGULATORY FRAMEWORK; APPROVAL BY OUR BOARD OF DIRECTORS

This Policy is issued pursuant to, and in compliance with the requirements of EU Directive 2004/39/EC of 21 April 2004 on Markets in Financial Instruments (“MiFID”) and the Investment Services and Activities and Regulated Markets Law



of the Republic of Cyprus which transposed MiFID into Cyprus legislation.

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 under MiFID.

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

This Policy has been approved by our Board of Directors.

6. LEVERAGE RATIOS FOR DIFFERENT ASSET CLASSES AND FINANCIAL INSTRUMENTS AND DIFFERENT CLIENTS

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

For retail clients, a lower leverage limit which cannot exceed a default level of 1:50 applies, unless the retail client has opted to change this default level to a different leverage ratio and we are satisfied with the retail client’s knowledge and experience in trading in complex financial instruments like CFDs. In general, we internally classify Retail Clients as follows:

- a. Experienced Retail Clients: Clients that score high marks in our Appropriateness test, demonstrating satisfactory knowledge and experience in trading in complex financial instruments like CFDs;

Experienced Retail Clients have the choice, to change the leverage ratios they trade with to 1:50, 1:100, 1:200 and 1:300 subject to the caps that we may apply based on our internal principles of risk appetite and tolerance. We reserve the right to introduce additional leverage levels.

- b. Less Experienced Retail Clients: Clients that score average marks in our Appropriateness test. Whilst such clients are deemed to possess certain knowledge and experience in trading in complex financial instruments like CFDs, their 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 1:50 or at any lower level that we may apply based on our internal principles of risk appetite and tolerance.

Note that certain jurisdictions apply a cap on leverage ratios irrespective of any retail client categorization into Experienced or Less Experienced. For example in Poland, a leverage ratio cap of 1:100 applies.

CFDs relate to underlying asset classes and financial instruments. We set out herebelow these classes together with the leverage levels we make available through our trading platforms:

Asset Class	Examples of financial instruments in the specific asset class	Leverage ratios*	
		Experienced Retail Investor	Less Experienced Retail Investor
Foreign Exchange (“FX”) Major pairs	EUR/USD, GBP/USD, EUR/CHF	Up to 1:300	Up to 1:50
Foreign Exchange (“FX”) Minor pairs and exotics	AUD/CAD, EUR/AUD, EUR/CHF	Up to 1:300	Up to 1:50



Asset Class	Examples of financial instruments in the specific asset class	Leverage ratios*	
Commodities	Crude Oil; Gold; Silver; Cotton No 2; Wheat; Natural Gas	Up to 1:200	Up to 1:50
Indices	S & P 500 Futures; FTSE 100 Futures; DAX 30 Futures	Up to 1:200	Up to 1:50
Shares	Facebook; Apple; Amazon; VISA; Siemens	Up to 1:20	Up to 1:20
Bonds	10-Year US Treasury Note Futures, UK Gilt Futures, 30- Year US Treasury Bond Futures	Up to 1:100	Up to 1:50
Exchange Traded Funds ("ETF's")	ChinaAMC CSI 300 Index, SPDR Dow Jones Industrial Average, iShares MSCI South Korea	Up to 1:200	Up to 1:50

*Applicable as at the date of this Policy. Leverages are applied on an asset class basis or on any other basis or per financial instrument as we may determine at our discretion. Subject to change with or without notice to reflect market conditions. The applicable leverage ratios at any point in time can be found at:

- [Markets.com Trader Leverage Profiles](#)
- [Meta Trader 4 \(MT4\) Leverage Profiles](#)

CySEC prescribes a minimum default leverage ratio of maximum 1:50. Regulatory caps may also exist in other jurisdictions, for example Poland, as noted above.

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 address likely market and financial instrument volatility. Where possible we will give you 3 business days' notice of such change so as to enable you to take the action you consider appropriate.

7. LEVERAGE TRADING AND MARGIN - KEY TERMS

7.1. 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" where we guarantee that you cannot lose more funds than what you have invested. The leverage is specified as a ratio, such as 1:10, 1:25, 1:50, 1:100, 1:200 or 1:300. 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 1:100 is a margin requirement of 1%.

Example: If the leverage is 1:200 and if you as our client have \$1,000 in your account, it means that you can now open trades worth \$200,000.



7.2. What is a 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 3 pips.

7.3. What is Initial/Required Margin?

Also known as the Initial Margin Requirement, the Initial Margin is the percentage of a financial instrument price that you, as the client, need to pay for with your own money. This requirement is basically the amount of collateral needed in order to open a margin account.

Required Margin or Margin Requirement refers to the amount you need in order to open and maintain a position, in addition to the initial loss that will occur due to the spread. The Required Margin is derived from the following formula: $(\text{Amount} * \text{Instrument Price}) / \text{Leverage} + (\text{Amount} * \text{Spread})$.

Example: If you intend to buy a CFD on 10 barrels of oil at a price of 51.30 per barrel. The leverage on the Oil CFD is 1:100. The spread on the Oil CFD is \$0.03. Your Margin requirement is calculated as follows: $(10 * 51.30) / 100 + (10 * 0.03) = \5.43

7.4. What is Equity?

In a nutshell, Equity can be defined as the value of your portfolio with us. Effectively it is the value of your funds with Safecap (which at any point in time include realized profits and losses) plus the unrealized profit and loss on your CFDs based on their latest quoted valuation.

7.5. 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 that you should monitor this margin level at all times. Whilst we may from time to time send you notifications of your Margin Level reaching certain thresholds, you are reminded that under the Retail Client Investments Services Agreement between you and us it is your responsibility to monitor at all times the margin level and take relevant actions.

Relevant actions that you can take to restore your Margin Level include:

- Closing or hedging some of your open positions.
- Depositing more funds that can help in averaging down your position.

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.

7.5.1. What is Free Margin?

Free Margin is the sum of funds you have available to use as initial margin for new positions. This is calculated by subtracting the margin used for your current open positions from your Equity.



7.5.2. What is Maintenance Margin?

Maintenance Margin refers to the minimum equity you need to have in order to keep your positions open. This is also commonly referred to as “maintenance requirement” or “minimum maintenance” and is the same as the Close Out we refer to above. At Safecap, the Maintenance Margin is currently 50%.

If your Maintenance Margin reaches 50%, your positions will start to liquidate starting from the position with the highest losses.

Example: You have an open position on EUR/USD with used margin of \$500. Your Balance is \$10,000 and your Equity \$900. This means that your maintenance margin is at 180% (Equity of \$900 divided by Margin used of \$500). If your floating loss reaches \$9,750 this means that your equity will become \$250. Therefore your maintenance margin will be $250/500 = 50\%$ and a Margin Close Out will take place.

7.5.3. What is Used Margin?

Used Margin indicates the sum of 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 10,000 EUR/USD at 1.1175. Assume that the initial margin requirement is 0.5% (i.e. a leverage of 1:200). The margin used for your position is calculated as follows:

$$(10,000 * 1.1175) / 200 + 10,000 * 0.0002 = \$57.87$$

In addition you open a position of 100 units of the Apple CFD at 107.70. Assume that the initial margin requirement is 5% (i.e. a leverage of 1:20). So the initial margin used for this position is calculated as follows:

$$(100 * 107.7) / 20 + 100 * 0.07 = \$545.50.$$

Therefore, the total Used Margin that you see in your account with us is $\$57.87 + \$545.50 = \$603.37$.

7.5.4. What is Margin Level?

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

$$\text{Margin level \%} = (\text{Equity} / \text{Used Margin}) * 100$$

The margin requirement is specific for each asset class/instrument and can be found [here](#).

Please note that we reserve the right to change at our sole discretion the margin requirements 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

Your wish to open a Buy position of \$100,000 vs. CHF

Margin requirement: If for the USD/CHF pair, the margin requirement is 0.5% which equals \$500. Margin Level %: $(\$1,000 / \$500) * 100 = 200\%$



7.6. Our Margin Call Policy

We advise you that it's your sole responsibility to monitor the margin level of your positions in real-time via your web trading platform or your mobile/tablet app.

If you are a Markets.com Web / Mobile Trader platform client, in the event that the value of your positions falls below 70% of the Initial Margin requirement, we will send you an email and/or any other notification. This notification acts as an early warning of the performance of your open positions with us. Please note that this is an additional service from us to you and does not create any obligation or responsibility on us, for either the performance of your trading account, or for notifying you of the current margin level and the action that you may wish to take. Note that if you are an MT4 client, you will not be receiving any specific notifications at the 70% level. Please therefore monitor the performance of your positions on an ongoing basis and take the action you consider appropriate.

As mentioned above, the 50% margin level is the minimum margin you need to maintain for an open position. We reserve the right to change this minimum margin level at our discretion in anticipation of evolving market conditions.

Should your equity fall below the minimum margin level 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 equity rises above the 50% margin level. 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.

8. NEGATIVE BALANCE PROTECTION

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

9. CONFLICTS OF INTEREST

In line with our culture and policy of treating customers fairly, we hereby remind you that we may be the counterparty to your trade. This means that when your Initial Margin reduces, in those cases where we may be the sole counterparty to your trade, then any losses that you incur may reflect profits for our account. Correspondingly, if you register profits for your trades, in such cases we incur losses. Please refer to our [Policy for the Management of Conflicts of Interest](#) for further details.

10. OFFERING CFDs IN CERTAIN JURISDICTIONS

CFDs are not eligible for sale in certain jurisdictions or countries. This Policy is not directed to any jurisdiction or country which is included in the Company's Banned Jurisdictions as this is defined in the Investment Services Agreement. The Policy does not constitute an offer, invitation or solicitation to buy or sell CFDs.

11. APPLICABLE LANGUAGE

Please note that where you have been provided with a copy of this Policy other than in the English language, such Policy is provided to you for information purposes only. The English version of this Policy is the version that is binding on Safecap at all times.



12. QUESTIONS

For any questions regarding this Policy, please contact at a first instance the Customer Support Department through the [Contact Us](#) page or via [Live Chat](#).