LEVERAGE POLICY

Introduction

Exclusive Markets Ltd (hereafter the "**Company**") is an Investment Firm incorporated and registered under the laws of Seychelles, with registration number 8423950. The Company is authorized and regulated by the Seychelles Financial Services Authority (hereafter the "FSA").

Leverage Policy Purpose

The CFDs in relation to which the Company offers investment services to its Clients 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 moves in the Client's favour, but in case of adverse market movement, leverage would increase the potential Client losses. The leverage element 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.

The purpose of the Leverage Policy is to ensure that the level of leverage made available by the Company to each Retail Client for trading is at the Client's best interests. To this end, the Policy shall determine the (maximum) levels of leverage ratios which will be made available to each Retail Client 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).

The Leverage 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.

b) 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.

c) to ensure that all *Retail Clients* wishing to utilize higher leverage ratios are properly warned and have successfully passed the *Assessment of Appropriateness* test, and

d) 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 Company's Senior Management. It shall be reviewed by on at least an annual basis or more frequently and shall be, as may be required, updated to reflect changes in regulatory obligations. The Compliance Officer shall assist in this respect with his feedback and guidance.

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.

Allocation of suitable Leverage to Clients

All Clients of the Company will be entitled to the default leverage ratio of 1:30.

After the opening of a trading account with the Default Leverage, the Company's Clients who have successfully passed the *Assessment of Appropriateness* test shall be entitled to request and receive a higher leverage up to the Maximum Leverage rations decided by the Company from time to time. 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.

The Company, depending on the level of leverage ratio requested by each Client, may implement any additional assessments deemed appropriate in order to ensure that the Client is in position to fully understand the risks entailed by utilizing the Higher Leverage ratios requested.

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. The Client will be provided with a risk warning that decreasing their leverage may result in a possible margin call or stop out if any open positions exist.

All requests for the change of leverage, the assessment of the Client for the provision of the Advanced Leverage Offer (i.e. *Assessment of Appropriateness* result) and the respective Risk Warning acknowledgements will be recorded in the Back Office Systems of the Company i.e. in the respective Client Records.

Application and Controls

The Company's Senior Management shall regularly review and update the Leverage 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.

The Risk Manager of the Company shall be responsible for monitoring on an ongoing basis the actual trading activity of Clients receiving Leverage higher than the Default Leverage of 1:30 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 Company's Capital Base and financial strength Position in case of abrupt adverse market movements

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.

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

The details of the reductions/changes shall be duly notified to Clients including any temporary changes in the levels of leverage offered.

The above mentioned changes shall not be considered by the Company unless these are justified by the circumstances or expectations on the market movements.

Finally, the Senior Management of the Company shall be responsible for ensuring that the Leverage Policy is followed and maintained by the relevant personnel.

Negative Balance Protection

The aim of the Leverage Policy shall also be to ensure that the maximum loss of Clients at any point in time never exceed the Client's 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.