LEVERAGE POLICY
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CYPRUS

LEVERAGE POLICY

1. Introduction

1.1. **Squared Financial (CY) Limited** (ex. Aspide Financial Ltd. and hereinafter the "Company"), is a Cypriot Investment Firm licensed and regulated by the Cyprus Securities Exchange Commission ("CySEC") under license number 329/17.

1.2. The purpose of this Policy is to define and ensure that the level of leverage made available by the Company to each Retail Client for trading is at the Client's best interests.

1.3. The Company offers investment services to its Clients related to Contracts for Difference (the "CFDs"). CFDs are considered highly risky and complex financial instruments given, inter alia, the leverage element that they entail.

1.4. 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 move in the Client's favour, but in case of adverse market movement direction, leverage would increase the potential Client losses.

1.5. European Securities and Markets Authority (ESMA) is of the opinion that leverage offers Retail Client the possibility to magnify the potential profits of a trade, however it also magnifies the possible losses. Because it is possible for the losses incurred to be higher than the amount of funds originally invested, leveraged instruments such as CFDs and rolling spot forex are riskier than non-leveraged instruments. The leverage component also 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.

1.6. To this end, the Policy shall determine the (maximum) levels of leverage ratios which will be made available to each Retail Client based on the Company's offer to its Retail Clients for trading, 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).

1.7. This 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, 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;

(b) 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

(c) 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.

1.8. 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 (See also Section 6 of this Policy).

1.9. 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.

2. Scope

2.1. This Policy applies to all financial instruments offered by the Company and made available to its Retail Clients.

2.2. This Policy does not apply to Professional or Eligible Counterparties. For further information in respect to our Client Categorization Policy, you can refer here.

3. Definitions

"**Appropriate Client**" shall mean a Client that passed the combined set of questions related to the *Assessment of Appropriateness* test of the Company evidencing that the specific Client have the minimal level of knowledge and experience which will enable them to understand the risks related to using high level of leverage when trading the Products;

"**Default Leverage"** shall mean a Leverage ratio of 30:1, equivalent to 3,33% margin requirement;

"**Inappropriate Client**" shall mean a Client that did not pass the combined set of answers related to the *Assessment of Appropriateness* test evidencing that a potential Client does not hold the minimal criteria to understand the risks related to using leveraged Products;

"**Products**" shall mean the financial instruments offered by the Company: Forex (Rolling Spot FX) and Contract for Differences which are all known as a "complex" financial instrument according to the relevant laws and regulation;

"**Leverage**" is ratio of the margin requirement imposed by the Company per each Product when opening a new position to the total volume. For example, if the Company requires a minimum 3,33% margin in a Client account related to CFDs on commodities, this means that a Client must have at least 3,33% of the total value of an intended position available as margin in his/her account, before proceeding with the placement of the order. Expressed as a ratio, 3,33% margin is equivalent to a 30:1 leverage ratio (1 divided by 30 = 0.033 or 3,33%);

"**Maximum Leverage**" shall mean a Leverage ratio of 200:1, provided that for certain Products the Leverage shall be capped in lower levels e.g. 25:1 and 50:1 etc.

"**Risk Warning**" shall mean a clear and prominent notification stating to the potential Client of the risks of utilizing high levels of Leverage along with the percentage of Retail traders resulted to loss during the last 12 months period and shall cover the points mentioned in Section A of Annex II of the ESMA Notice;

4. Leverage Offer Classes

4.1. The Company shall be offering the following classes of Leverage per instrument according to the Client's Categorization. This arrangement is done in the best interests of the Client. Low leverage levels protect inexperienced Clients, while higher leverage levels enable Professional Clients to benefit from Leverage's advantages. Furthermore, at any certain class of Leverage, the Leverage levels offered shall be differentiated according the category of the underlying asset (i.e. the asset class). This way it is ensured that the riskiness faced by each Client at each level of Leverage level remains at similar levels, irrespective of the asset class to which the Client invests in.

4.2. To this end the Company maintains the following Leverage rules (See in Annex the detailed breakdown including the applicable Margin Call and Stop Out Levels):

- **30:1** for major currency pairs (comprising any two of the following currencies: USD, EUR, JPY, GBP, CAD and CHF)
- **20:1** for non-major currency pairs, gold and major indices
- **10:1** for commodities other than gold and non-major indices
- **5:1** for individual equities and other reference values
- **2:1** for cryptocurrencies

4.3. The above Leverage offers apply in cases of normal conditions. Where extreme volatility is expected (e.g. in periods of news announcements or geopolitical events such as elections, referendums, war conflicts) the offered Leverage shall be reduced accordingly to the levels decided by the Risk Manager in conjunction with the Company's Senior Management and the Compliance Officer (See Section 8.1 of this Policy).

5. Allocation of Suitable Leverage to the Clients

5.1. All Clients will be provided with the Default Leverage according to their Categorization.

5.2. To this end, Clients wishing to receive Leverage other than the default shall request this from the Company in writing.

5.3. In order for the Company to proceed with the review of the request will need to re-examine the answers provided by the Client as part of the Fitness Test.

5.4. Only the Clients who have passed the Fitness test will be eligible for higher Leverage which they may chose after the opening of a trading account with the Default Leverage.

5.5. In any case the Company will provide the Clients with a risk warning related to the risks of changing their Categorization and increased Leverage which the Clients will need to accept in order to proceed with any changes.

5.6. Higher Leverage will be available **only** upon Client's request, following the opening of a trading account and at the Company's sole discretion, provided that the Client has passed the Company's Fitness test.

5.7. The Compliance Officer shall be responsible to review and assess the answers by the Client. The Risk Manager shall also review the part of the Additional Evaluation Questionnaire (See Section 7 of this Policy) relating to the Clients anticipated trading activity and anticipated deposits (See also Section 6 of this Policy) and assess the risks/impact that the Clients (anticipated) trading activity will have on the Company's Capital Basis in case of abrupt adverse market movements. Where deemed necessary the Risk Manager should suggest to the Company's Senior Management to take rectifying actions (See also Section 6 of this Policy).

5.8. In any case the Company will provide the Clients with the Risk Warning related to the risks of trading in leveraged Products.

5.9. 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.

5.10. Inappropriate Clients are not eligible to open a trading account with the Company. The said Clients will have the right to re-undertake the Assessment of Appropriateness test after having a demo account with the Company or another regulated broker for a period of at least six (6) months.

5.11. All requests for the change of Client Categorization, the assessment of the Client and the provision of a higher Leverage along with the respective Risk Warning acknowledgements will be recorded in the Back-Office Systems of the Company i.e. in the respective Client Records.

6. APPLICATION AND CONTROLS

6.1. The Compliance Officer shall regularly review and update this Policy from time to time as shall be necessary to adhere to changes in the relevant legislation and level of risk.

6.2. 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 levels offering, as well as the Margin Call and Stop Out Levels (See **Annex**).

6.3. Moreover, the Risk Manager of the Company shall be responsible for monitoring on an ongoing basis the actual trading activity of Clients receiving the higher Leverage than the Default Leverage in conjunction with the Company's Capital Basis and financial strength and suggest rectifying actions to the Company's Senior Management where deemed necessary.

6.4. 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 (see also point 8.2 of this Policy).

(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 (see also point 8.2 of this Policy).

6.5. Finally, the Senior Management of the Company shall be responsible for ensuring that this Policy which is part of the Company's Client acceptance policy (CAP) is followed and maintained by the relevant personnel.

7. OTHER

7.1. Leverage Margin Call Level and Stop Out levels during extreme conditions

7.1.1. The Company's Margin Call Level shall be set to 100% on all financial instrument classes.

7.1.2. During expected extreme volatility is expected (e.g. in periods of news announcements or geopolitical events such as elections or referendums) the offered Leverage to be reduced accordingly to the levels decided by the Risk Manager in conjunction with the Company's Senior Management and the Compliance Officer.

7.1.3. The details of the reductions/changes shall be duly notified to Clients including any temporary changes in the Leverage Offers.

7.1.4. The Company shall set the Stop-out Levels on Retail Clients trading accounts to 50%.

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

7.2. Negative Balance Protection

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

ANNEX

Stop Out Level/ Margin Call Level for all Account Types (Classic/Standard/Premium)

Asset Class	Margin Call Level	Stop Out Level
Currencies (Forex)	100%	50%
Stocks	100%	50%
Indices	100%	50%
Commodities/Energies	100%	50%

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