LEVERAGE POLICY

INTRODUCTION

JFD Group Ltd is a Cypriot Investment Firm ("CIF") registered with the Department of Registrar of Companies under number HE 282265, is authorised and regulated by the Cyprus Securities and Exchange Commission - CySEC (Licence number: 150/11) and is a Member of the Investor Compensation Fund (ICF). JFD Group Ltd is registered with the German Federal Financial Supervisory Authority - BaFin (Registration number: 126399), the British Financial Conduct Authority - FCA (Registration number: 580193), the French Autorité de Contrôle Prudentiel et de Résolution - ACPR (Registration number 74013) and is MiFID compliant under the Investment Services and Regulated Market Law of 2007 (Law number: 144(I)/2007). JFD Group Ltd is licenced to provide the investment services of Agency Only Execution (i.e. reception and transmission of orders, execution of orders on behalf of clients) and Portfolio Management in relation to Transferable Securities, Options, Futures, SWAPS, Forward Rate Agreements, Financial Contracts for Differences (CFD) and other Derivatives. JFD Group Ltd is also licenced to provide the ancillary service of Safekeeping and Administration of Financial Instruments.

GENERAL

This Leverage Policy (the **"Policy**") sets out the leverage and margin levels and procedures applicable to contract for difference ("CFD") transactions between the Company and its Retail Clients. Fair treatment of our clients is one of the pillars our Company is set up on. To achieve fair treatment the current Policy guarantees that the leverage and margin levels applicable by the Company reflect the knowledge and experience of our clients and are not a representation of aggressive leverage policies that often lead to clients suffering huge losses. Moreover, the Policy is designed to match the Company's risk appetite and risk accepting limits as defined by the Company's Board of Directors.

Trading CFDs is a form of Leveraged Trading and is highly speculative, complex and involves a significant risk of loss and is not suitable for all investors. CFDs are among the riskiest types of investments and can result in large losses. Before deciding to trade CFDs a client should carefully consider his/her investment objectives, level of experience and risk appetite. While trading CFDs a client can sustain a partial or full loss of his/her initial investment. Clients should be aware of all the risks associated with trading CFDs and seek advice from an independent financial advisor if they have any doubts.

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COMPLIANCE

REGULATORY FRAMEWORK

The Policy was prepared in accordance with ESMA's Publication ESMA 35-43-1000, dated 27 March 2018, the European Directive 2014/65/EU on Markets in Financial Instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II) and the Cyprus Investment Services and Activities and Regulated Markets Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets which transposed MiFID II into Cyprus legislation.

LEVERAGE TRADING

When trading with a leveraged capital, a client trades with amounts significantly higher than the funds invested, which they only serve as the margin. Leverage and margin go together as the latter will be used to create leverage to pay less than the full price for a trade giving the enabling the client to enter positions larger than the funds invested. Leverage is defined as a ratio, for example a 1:2 leverage means that a client will be able to hold a position 2 times his initial trading account. If the client had an initial trading account of €10.000 (the margin) he will be able to hold positions up to €20.000 with a leverage of 1:2.

LEVERAGE RATIOS

Retail Clients

The Leverage ratio per underlying asset, are set by the ESMA's Publication ESMA 35-43-1000, dated 27 March 2018. These regulatory limitations applicable to margin rates are taken into account and complied with by the Company at all times.

The Company has taken adequate measures and designed its trading systems in a way that offers its Retail clients leverage limits determined in accordance to the Maximum permitted leverage limits per market and the with the scoring of each client at the appropriateness test or limit.

Based on the above legal and regulatory requirements, the maximum leverage for retail clients that the Company will offer is capped, and the Company has produced the following list of underlying asset classes accompanied by their respective maximum leverage ratio:

Asset Class	Examples of Financial Instruments	Maximum Leverage
CFDs (major currency pairs)	Currency pairs of the following: USD, EUR, JPY, GBP, CAD and CHF	Up to 1:30
CFDs (non-major currency pairs gold and major Indices)	USDDKK, XAUUSD, UK 100, France 40, German 30, US Dow Jones, US 500, US Nasdaq, Japan 225, Australia 200, Euro 50	Up to 1:20

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Commodities and other non-major Equity Indices	WTI Crude Oil, Hong Kong 50 Index	Up to 1:10
Individual Equities		Up to 1:5
Cryptocurrencies	Bitcoin, Litecoin, Ethereum	Up to 1:2

The Company reserves the right to reduce leverage rations for CFDs in financial instruments, with or without notice to the clients, in order to address possible market and financial instrument volatility.

Professional Clients

Professional clients are able to trade with higher leverage. Specifically, the Company offers to Professional clients the option to select higher leverage ratio up to 1:400 based on the underlying instrument.

IMPLEMENTATION OF POLICY

Clients, who have been classified by the Company as "Retail Clients", upon establishing a business relationship with the Company during the trading account opening procedure, a methodology where the maximum leverage of the assets as described above, shall be offered to them.

In particular, the Company, has developed a new formal risk weighting model which assesses the appropriateness of the clients in regard to the services, instruments and products provided. Amongst others, it limits the level of leverage available to retail clients that do not pass the appropriateness test or limit the sum that the client can invest, in any one transaction for a period of time.

The Company went the extra mile and ensured that clients who do not pass the appropriateness test, not only will not have the right to choose the maximum leverage, but they will be rejected to open an account with the Company, until they fit the criteria and pass the test, as per the provisions of the Clients' Assessment of Appropriateness Policy of the Company.

During the clients' trading account opening, the Company has in place an automated scoring system running in the background of the account opening form and generate automatically an indicative appropriateness score for each client.

The scoring result will be based on an algorithmic combination of knowledge and experience in the investment field relevant to the specific type of product or service

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offered or demanded. Based on the appropriateness scoring, the client will be categorized in the Company's system into one of the three Brackets, as described below. The automated scoring system shall be also connected to the CRM system of the Company in order to keep records of the result.

Scoring Brackets

Upon completion of the Account Opening Form, the client, based on its Appropriateness Scoring (please see above) shall automatically fall into one of the three below Brackets.

Bracket A: Appropriate client to trade (i.e. Experienced & Educated);

Bracket B: Not appropriate client to trade but not rejected (i.e. Non-Experienced & Educated or Experienced & Non-Educated);

Bracket C: Not appropriate client to trade and rejected with a warning to try again upon being able to upgrade to Bracket A or Bracket B (i.e. Non-Experience & Non-Educated).

In case of a Bracket B client, a warning for not being appropriate to trade shall be sent to the client by the time of its account opening. Simultaneously, the Company shall advise to offer free trainings, e-books, invitation to webinars, continual live-chat assistance. Also, the Company informs the client that it has the discretion to monitor his trading results and contact him in case you suffer constant losses.

The Company as a Brokerage operating an STP model (i.e. licensed for investment services 1, 2, 4 and 5 only of the Third Appendix Part 1 of the Law), does not hold any Clients' trading orders, but all of them are passed to the MiFID FCA regulated Liquidity Providers, who are responsible for ensuring that the leverage ratios are established based on their capital base and financial strength, their risk appetite and risk management and the asset class and instrument characteristics.

In particular, in order to establish the leverage ratios, they take into account the following measures:

- The capital base and financial strength of the Investment Firm: They strictly follow the guidelines of their regulatory body on how to do this.
- The risk appetite and risk management of the CIF: The Liquidity Provider has its own internal risk limits based on capital adequacy, individual client exposures as well as individual instrument and individual asset class exposures. Risk management policies that are put in place are reviewed at least once quarterly and adjusted if necessary. The Liquidity Provider also identifies individual clients for various risk management procedures and classify them daily.
- The asset class and instrument characteristics, including among others liquidity

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and trading volumes, volatility and standard deviation, market cap, country of issuer, hedging capabilities, general economic climate and geopolitical events.

Finally, on the Company's side and in relation to the asset class and instrument characteristics, the Company as an STP Broker has the possibility to intervene between the Client and the Liquidity Provider and set the leverage ratios in a way that will prevent the creation of negative balances, usually by increasing the margin and decreasing the leverage on certain complex products.

STOP OUT LEVEL

The stop-out level refers to the equity level at which your open positions get automatically closed. A 50% threshold seeks to mitigate the risk of substantial loss by retail investors, as many CFD providers allow their investors' funds to fall to 0-30% of the initial margin required to open a CFD. The Company will adjust its already existing 100% stop-out (close-out) level to 50% in response to the new ESMA measures. In other words, we will close one or more of your open positions on terms that are the most favorable to you when the total amount of funds in the CFD trading account and the unrealized net profits of all the open CFDs linked to that account fall to less than half of the total initial margin protection for all those open CFDs.

NEGATIVE BALANCE PROTECTION

The Company as of the 30th of January 2017 has in place a negative balance protection for its Clients. In practice, all our retail clients have a guaranteed protection against the risk of their accounts turning negative. By having this protection, the clients are ensured that their maximum losses from trading CFD's are not greater than the total funds linked to their CFD trading account.

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