

# LEVERAGE POLICY

## 1. INTRODUCTION

JFD Overseas Ltd (the “**Company**” or “**JFD**”) is authorized and regulated by the Vanuatu Financial Services Commission (the “**VFSC**”) under License Number 17933. JFD Overseas Ltd is licensed to carry on the business of dealing in securities, execution of orders on behalf of the clients and portfolio management.

## 2. GENERAL

This Leverage Policy (the “**Policy**”) sets out the leverage and margin levels and procedures applicable to contract for difference (the “**CFD**”) transactions between the Company and its Clients. The Policy is designed to match the Company’s risk appetite and risk accepting limits. 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.

## 3. 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 1:4 leverage means that a client will be able to hold a position 4 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 €40.000 with a leverage of 1:4.

## 4. LEVERAGE RATIOS

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

Based on the above, the maximum leverage for clients that the Company will offer is capped to higher leverage ratio of 1:400 based on the underlying instrument.

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.

## 5. IMPLEMENTATION POLICY

Clients, who have been accepted by the Company as “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 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 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, will be rejected to open an account with the Company, until they fit the criteria and pass the test.

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 automatically generate 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 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 he suffers constant losses.

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

- *The capital base and financial strength of the Company:* They strictly follow the guidelines of their regulatory body on how to do this.
- *The risk appetite and risk management of the Company:* 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. 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 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 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.