HF Markets

HF Markets (UK) Ltd

Address: Bloomsbury Building, 10 Bloomsbury Way, Holborn, London WC1A 2SL, United Kingdom
T: +44-2035199898 E: info@hfmarkets.co.uk W: www.hfmarkets.co.uk

HF Markets (UK) Ltd

FRN: 801701

LEVERAGE POLICY

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1. Introduction

1.1. HF Markets (UK) Ltd (hereinafter referred to as the "**Company**") which is a member of HF Markets Group, is incorporated under the Companies Act 2006 of UK and is registered under the Companies House with registration number 11118651. The Company is authorised and regulated by the Financial Conduct Authority ("**FCA**"), with License No. 801701 to provide Investment Services under the a) Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017 ('MiFI regulations'), b) the Data Reporting Services Regulations 2017 ('DRS regulations') and c) Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2017 ('RAO Amendment Order'), which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters as subsumed into UK law under the European Withdrawal Act (2018) (herein the "**Law**").

1.2. The Company is committed to act honestly, fairly and professionally and in the best interests of its Clients and to comply, in particular, with the principles set out in the above legislation when providing investment services and other ancillary services related to such investment services.

2. Scope and Applicability

2.1. The purpose of the Leverage Policy (hereinafter the "**Policy**") is to set out the Company's leverage and margin levels and procedures applicable to contracts for difference ("**CFD**") transactions between the Company and its Clients in accordance with assessment of Clients' appropriateness based on their knowledge and experience and applicable legal and regulatory requirements in order to increase investor protection.

2.2. The Policy outlines the Factors and Procedures the Company follows in order to identify how leverage ratios are established.

2.3. The risk of CFDs is magnified by the leverage of the CFD. The impact of leverage becomes higher when the value of the underlying asset of the CFD is volatile. Some underlying assets based on their historic performance are more volatile than others, therefore setting different leverage limits helps to ensure that investors face a consistent level of risk.

2.4. The Policy applies to any Client of the Company who has concluded a distance contract with the Company and has been categorized by the Company as a Retail or Professional Client (more information on the Client Categorization can be found in the Client Categorization Policy of the Company accessible via the Company's website). Therefore, this Policy does not apply to any Client who has been categorized by the Company as an 'Eligible Counterparty'.

3. Legal Framework

3.1. The Company uses the leverage in the best interest of their Clients, therefore this Policy is issued in compliance with the requirements of Directive 2014/65/EU of the European Parliament and of the council of 15 May 2014 on Market in Financial Instruments ("**MiFID**"), the amending MiFID II as applicable under the laws of England and Wales.

3.2. The Policy is also in compliance with the Policy Statement (PS19/18) from July 2019 restricting contract for difference products sold to retail clients implemented issued by the Financial Conduct Authority ("**FCA**").

4. Leveraged Trading

4.1. CFDs are leveraged products. Leverage offers Clients 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 sum originally invested, leveraged instruments such as CFDs are riskier than non-leveraged instruments. The leverage component also adds an additional level of complexity, which means that many retail investors would have difficulty understanding how leverage impacts the risks involved when trading CFDs or other similar leveraged products.

4.2. The Company is committed to inform its Clients that trading CFDs is highly speculative, involves significant risk of loss and is suitable only to the investors who fully understand and are willing to assume the economic, legal and any other risk involved and who are experienced and knowledgeable about trading complex instruments and are financially able to assume significant losses in excess of margin.

4.3. The Company follows its risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems when setting the percentage leverage ratio allowed to Clients and it ensures that it always complies with the Company's risk appetite and risk management policies.

4.4. The Company sets maximum allowed leverage for each financial instrument taking into consideration asset class and instrument characteristics which include among others liquidity and yearly average trading volumes, volatility and standard deviation, market cap, country of issuer and hedging capabilities. From time to time, based on the existing economic climate and geopolitical events the Company may amend the maximum allowed leverage for each financial instrument.

4.5. Leverage involves borrowing capital in order to get a greater exposure.

For example: a leverage of 20:1 implies that, for every 5 GBP a Client invests, the Company provides him an exposure of 100 GBP (5 GBP x 20). To do this, the Company lends Client, in economic terms, 95 GBP (100 GBP - 5 GBP).

5. Leverage Ratios

5.1. The Company shall be offering the following classes of leverage per instrument according to the client's categorization as per the Company's Client Categorization Policy. This arrangement is done in the best interests of the Client to protect Retail Clients, while higher leverage levels enable Professional Clients to benefit its advantages. Furthermore, the leverage ratios offered shall be differentiated according to the category of the underlying asset (**i.e.** the asset class).

5.1.1. Retail Clients

Retail Clients are permitted to trade with variable leverage ratio, not exceeding 1:30, depending on relevant financial instrument traded.

5.1.2. Professional Clients

Professional Client, whether per se or eligible, is a Client who possesses the experience and knowledge as per the Company's Client Categorization Policy and has expertise to make his own investment decisions and properly assess the risk involved. Professional Clients are able to benefit from higher leverage ratio with a maximum of 1:400 for CFDs on Forex currency pairs and 1:100 for Gold.

5.2. The Maximum leverage ratios allowed as per different asset classes and as per different client category are specified in the below table:

ASSET CLASS	EXAMPLE	RETAIL CLIENT	PROFESSIONAL CLIENT
Forex major pairs	*EURUSD, GBPUSD*	Up to 1:30	Up to 1:400
Forex non-major pairs and exotics	*AUDCAD, EURCHF*	Up to 1:20	Up to 1:400
Commodities - Gold	*XAUUSD, XAUEUR*	Up to 1:20	Up to 1:100
Commodities other than Gold	*Coffee, Cotton, USOIL, NGAS*	Up to 1:10	Up to 1:10
Major equity indices	*DAX30, NASDAQ100, Nikkei225*	Up to 1:20	Up to 1:20
Non-major equity indices	*NETH25, SPA35, SUI20*	Up to 1:10	Up to 1:10
Bonds	*EUBUND.F, UKGILT.F*	Up to 1:5	Up to 1:5
Shares	*Facebook, Apple, Amazon*	Up to 1:5	Up to 1:5

The applicable leverage ratios per instrument can be found at: https://www.hfmarkets.co.uk/uk/en/trading-products/trading-instruments.html

5.3. The Company reserves the right to reduce leverage ratios for CFDs in financial instruments that maybe the subject to actual or anticipated corporate actions, with or without notice to Clients, in order to address likely market and financial instrument volatility.

6. Initial Margin

6.1. Initial Margin is also referred to as Margin Requirement. Initial Margin is the amount the client will have to pay as collateral in order to open and maintain a position.

6.2. The leverage limit implies the percentage of the initial total exposure that the Client is required to post as an initial margin in order to open a position.

For example: A leverage limit 1:5 on the opening of a CFD requires the client to post initial margin of at least 20% of the initial total exposure of the CFD.

Similarly, a leverage limit of 1:20 on the opening of a CFD requires the client to post initial margin of at least 5% of the initial total exposure of the CFD.

The initial margin ratios required as per different asset classes and as per different client category is specified in the below table:

<table>
<tr><th rowspan="2">Underlying Asset</th><th colspan="2">RETAIL CLIENT</th><th colspan="2">PROFESSIONAL CLIENT</th></tr>
<tr><th>Initial Margin</th><th>Leverage</th><th>Initial Margin</th><th>Leverage</th></tr>
<tr><td>Forex major pairs</td><td>3.33%</td><td>1:30</td><td rowspan="3">0.25%</td><td rowspan="3">1:400</td></tr>
<tr><td>Forex non-major pairs and exotics</td><td rowspan="2">5%</td><td rowspan="2">1:20</td></tr>
<tr><td>Commodities Gold</td></tr>
<tr><td>Commodities other than Gold</td><td>10%</td><td>1:10</td><td>10%</td><td>1:10</td></tr>
<tr><td>Major equity indices</td><td>5%</td><td>1:20</td><td>5%</td><td>1:20</td></tr>
<tr><td>Non-major equity indices</td><td>10%</td><td>1:10</td><td>10%</td><td>1:10</td></tr>
<tr><td>Bonds</td><td rowspan="2">20%</td><td rowspan="2">1:5</td><td rowspan="2">20%</td><td rowspan="2">1:5</td></tr>
<tr><td>Shares</td></tr>
</table>

7. Margin Call and Stop-out levels

7.1. Margin Call is applied when the margin posted in the Client's account falls below the minimum margin requirement. The Company issues a Margin Call notification which is sent to the Client as an early warning of the performance of the open positions. In this case, the Client will have to either increase the margin that he has deposited or to close out his position(s).

7.2. Stop-out is applied when the Margin Level falls to a specific percentage (%) level in which one or all of the open positions are closed automatically by the Company.

7.3. The Company applies a stop-out policy to all of its Clients' trading accounts, ensuring that their margin is not eroded to a point where it is close to zero. The margin stop-out protection will be triggered when the total margin in a Client's account falls below relevant percentage as described in the table below:

	RETAIL CLIENT	PROFESSIONAL CLIENT
Margin Call	80%	50%
Stop-out level	50%	20%

7.4. It is a Client's sole responsibility to monitor the margin level of his positions in real-time via Company's trading platform on the ongoing basis in order to take the actions that are considered appropriate.

8. Negative Balance Protection

8.1. Due to volatile markets conditions, in order to increase investor protection, the Company has established its negative balance protection policy which in the event that a negative balance occurs in clients' trading account(s) due to stop out, will make a relevant adjustment to cover the full negative amount. Negative balance protection aims to ensure that the maximum loss of the Client at any point in time shall never exceed Client's available funds.

9. Leverage during extreme market conditions

9.1. During expected extreme volatility (**e.g**. in periods of news announcements or geopolitical events such as elections or referendums) the offered Leverage shall be reduced accordingly to the levels decided by the Risk Manager along with the Company's Management. The details of the reductions/changes shall be duly notified to Clients including any temporary changes in the Leverage Offers. The above-mentioned changes shall not be considered by the Company unless these are justified by the circumstances or expectations on the market movements.

10. Definitions

10.1. Terms stated below shall have the following meanings and may be used in the singular or plural as appropriate.

"**Leverage**" is a ratio of the amount used in a transaction to the required deposit.

"**Margin**" means the necessary guarantee funds to open positions and maintain Open Positions, as determined in the Spreads and Conditions Schedule.

"**Margin Level**" means the percentage of Equity to Margin ratio. It is calculated as:
Margin Level = (Equity/Necessary Margin) x 100

"**Spreads and Conditions**" means the spreads, charges, margin, interest and other rates which at any time may be applicable to the Services as determined by the Company on a current basis. The Spreads and Conditions are available on the Company's Website under Trading Products section.

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