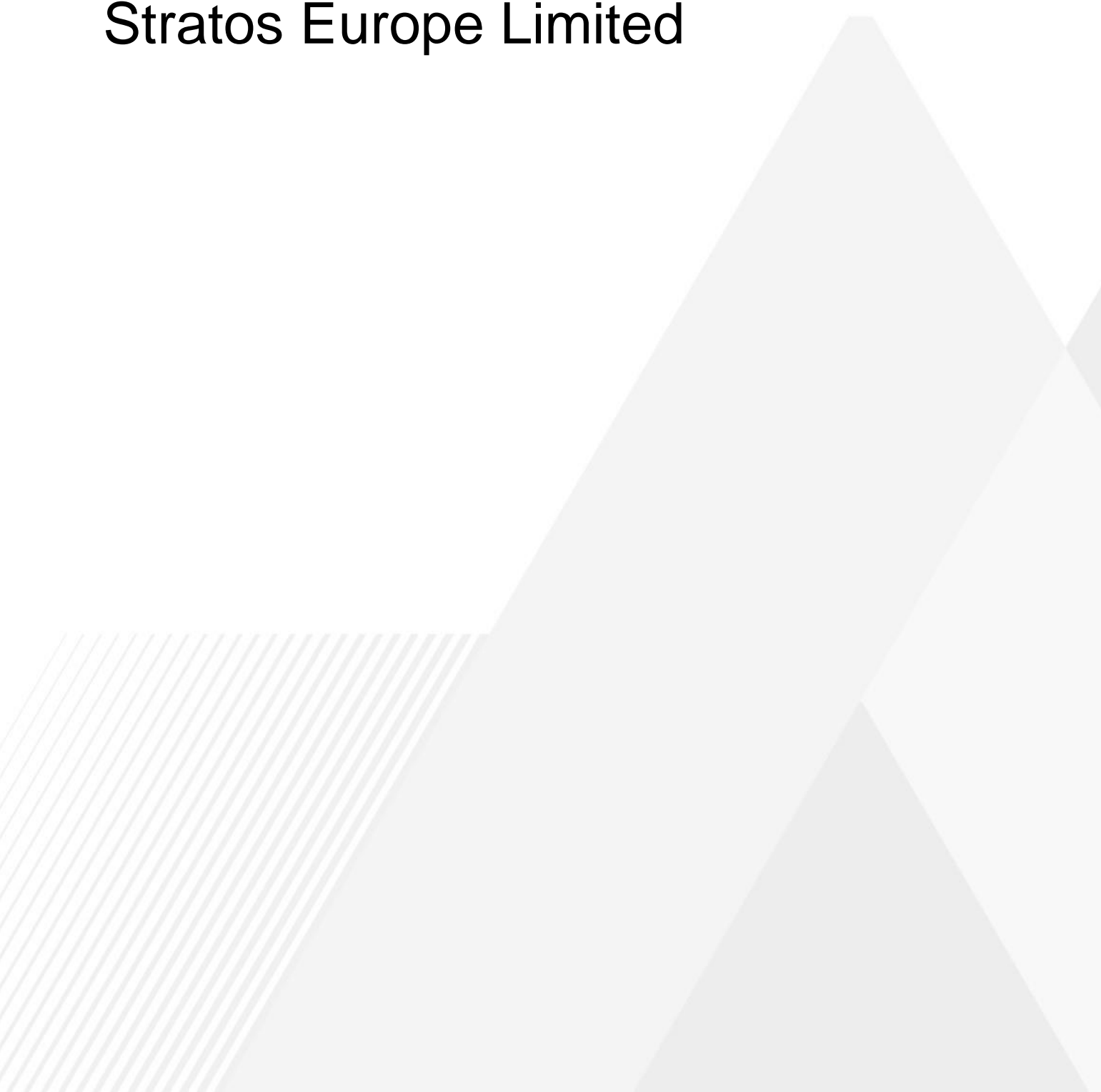




Margin and Leverage Policy

Stratos Europe Limited



This Leverage and Margin Policy is effective after the relevant approvals from the Board of Directors of the Company. This Policy forms an integral part of the Firm's Policies and Operation's Manuals and shall be reviewed at least on an annual basis and updated accordingly. Stratos Europe Limited (trading as "Tradu") is a Cyprus Investment Firm ("CIF") registered with the Cyprus Department of Registrar of Companies (HE 405643) and authorised and regulated by the Cyprus Securities and Exchange Commission ("CySEC") under license number 392/20. Registered address: DOMS Assets Business Centre, 33 Neas Engomis Street, 2409 Engomi, Nicosia, Cyprus.

Stratos Europe Limited.

1. Scope

This policy aims to set out the procedures and factors followed by Stratos Europe Limited ("Company", "we", "us") in order to identify how leverage ratios are established. This policy will be reviewed and approved by the Board of Directors regularly and at least annually.

This Leverage Policy ("Policy") sets out how we set leverage and margin levels and procedures when Clients ("Customers", "you", "your") trade in Contracts of Difference ("CFDs") with the Company. The purpose of this Policy is to explain the key aspects of leverage trading with margin and what leverage levels we make available depending on your knowledge and experience and regulatory requirements. It also outlines the impact on your margin and account where negative market movements occur.

2. Legal and Regulatory Framework

This Policy is issued pursuant to, and in compliance with the requirements of EU Directive 2014/65/EU on Markets in Financial Instruments ("MiFID II") and the Investment Services and Activities and Regulated Markets Law of the Republic of Cyprus Law No. 87(I)/2017 which transposed MiFID II into Cyprus legislation.

Furthermore, this Policy complies with Circular C330 which has been issued by CySEC on 18 July 2019, according to which all CIFs must apply the content of the intervention measures under the ESMA's Decision on CFDs, until such time when Cyprus National Product Intervention Measures are introduced and with Directive DI87-09 regarding the restriction on the Marketing, Distribution or Sale of Contracts for Differences (CFDs) to Retail Clients.

In this Policy, we collectively refer to all the above legislations, regulations and guidelines as ("Regulations"). This Policy has been approved by our Board of Directors. Also, it is the Company's policy to review the present Policy once a year, and where relevant amendments need to be made, the Company's Compliance function shall be responsible for the update of this Policy, prior to its submission at the Board of Directors for its further approval.

3. Purpose

Treating Customers fairly is vital to our corporate culture, ethos and attitude. The Company has a duty to act honestly, fairly, professionally and in the best interests of our Clients when dealing with them. Subject to the conditions outlined in this policy, the leverage offered to retail client is set at 30:1 to 2:1, which varies according to the volatility of the underlying financial instrument:

- 30:1 for major currency pairs;
- 20:1 for non-major currency pairs, gold and major indices;
- 10:1 for commodities other than gold and non-major equity indices;

- 5:1 for individual equities and other reference values;
- 2:1 for cryptocurrencies.

In relation to Leverage and Margin offered to clients, the Company is required to:

- 3.1 To set leverage levels that reflect your knowledge and experience when trading in complex financial instruments like CFDs given that trading with leverage and margin is a key characteristic of trading in CFDs;
- 3.2 To follow our duty to treat you fairly by avoiding aggressive leverage practices towards you;
- 3.3 To have regard to the underlying performance fundamentals of the financial instrument on which the CFD is based, including historic volatility, depth of market liquidity and trading volumes, market capitalization of the issuer and country of issuer of the underlying financial instrument, our ability to hedge market risk and the general political and economic environment. We adjust and calibrate the above variables in determining the leverage levels we offer for asset classes or financial instruments;
- 3.4 Given that we effectively provide the leverage for which you trade, to have regard to our own risk management appetite and risk bearing capacity and to have in place policies, procedures and practices to manage our (primarily) market risk emanating from such leverage and margin trading by our clients;
- 3.5 To apply regulatory requirements and caps as set by the Commission (“CySEC”) and/or ESMA.

4. Factors Considered

The Company takes into consideration the following prior to providing leverage to its Clients:

- 4.1 The capital base and financial strength of the Company, as calculated and monitored based on the Company’s Capital Adequacy;
- 4.2 The risk appetite and risk management of the Company;
- 4.3 The asset class and instrument characteristics, including the liquidity and trading volume, volatility, market cap, country of issuer, general economic climate and geopolitical events;
- 4.4 Clients’ assessment of appropriateness and financial knowledge;
- 4.5 Client’s Categorisation: Retail or Professional;
- 4.6 Client’s Knowledge & Trading experience: With a series of questions in the account opening application we determine the client’s financial strength, financial knowledge, trading experience, and trading style.

5. Use of Leverage

The Company should use the leverage to the best interest of the client. As such, the Company’s use of leverage should be as follows:

5.1 Leverage Caps

Leverage limits will be applied on opening a new position and vary according to the volatility of the underlying asset as outlined under part 10.5.11. of sub-section 10. The Company has adapted a maintenance margin that is used to calculate the margin required for trading FX and CFDs.

5.2 Capital Base and Financial Strength of the Company

The Company shall always comply with the Capital Requirements regulatory framework and the leverage ratios allowed to its clients shall not inhibit in any way the Company from complying with the minimum capital requirements as set in the relevant regulatory framework.

5.3 Risk appetite and risk management of the Company

The Company shall follow the risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems when it will be setting the percentage of the leverage ratio allowed to its clients. The Company shall ensure that the leverage ratios allowed to clients are always in line with the Company's risk appetite and risk management policy.

5.4 Asset class and instrument characteristics

In order to reflect the varying risk and volatility in different asset classes and instruments, the company has divided the financial instruments it offers into the categories mentioned in part 10.5.11. of sub-section 10, with the corresponding maximum leverage ratios that can be provided to retail clients, after taking into consideration all the factors mentioned in part 10.4. of sub-section 10.

5.5 Clients' financial knowledge and experience

The Company considers the clients' knowledge and experience prior allowing a client to use leverage.

More specifically all retail clients receive the default leverage limit which is 30:1 (unless the maximum allowed leverage for a particular financial instrument is lower than 30:1). In case a client wishes to obtain a higher level of leverage, the client should submit a request an application for reclassification to elective professional (from retail client) to the Company.

If the client fails, or is not seen as suitable, in the Appropriateness and Financial knowledge test, the client will be requested to start with our Academy and/or a demo account before start trading with real money.

5.6 Negative Balance Protection

The Company has established a negative balance protection policy which in the event that a negative balance occurs in the clients' trading account due to stop out and/ or extremely volatile market conditions, then a relevant adjustment to cover the full negative amount will be made. In other words, this means that the Company's clients will never lose more than the amounts they invested in the CFD client with the Company. Also, Professional clients shall not be entitled to negative balance protection.

5.7 Margin Close Out

When offering CFDs to retail investors, the Company provides retail investors with the margin close-out protection. Margin close-out protection means the closure of one or more of a client's open CFDs on terms most favourable to the client in accordance with Articles 24 and 27 of MiFID II, when the sum of funds in the CFD trading account and the unrealised net profits of all open CFDs connected to that account falls to less than 50% of the total initial margin protection for all those open CFDs.

The Margin Level indicates how close the client's account is to a margin call. A margin call is a protective measure that helps traders to manage their risk and prevent additional losses. Margin calls happen when there aren't sufficient funds to cover the margin requirement.

The Company will apply margin close-out protection to retail client accounts that hold open CFD position.

A margin of up to 50% (equivalent to 200% of the Client's 'Usage') is required at which the Company will automatically close one or more positions at market prices where stop out level is reached. Furthermore, by applying the close-out rule at 50% margin call (equivalent to 200% of the Client's 'Usage'), limits the risk of any substantial loss by a retail client when the sum of funds in the trading CFD account and the unrealised net profits of all open CFDs connected to the Client's account falls to less than half of the total initial margin protection (protection) for all those open trades on CFDs.

The Margin close out is calculated and as shown in the trading platform: $\text{margin used}/\text{account balance} = 200\%$ stop out (equivalent, $\text{account balance}/\text{margin used} = 50\%$ stop out).

5.8 Initial Margin Protection

Initial margin protection will be applied to retail client accounts that hold CFDs position. The leverage limit will protect retail client by requiring them to pay a minimum initial margin in order to trade CFDs and limits the risk exposure of the amount of money to be invested by the client. Initial margin protection may reduce the probability of client losses compared to those that would be expected if the client were to trade CFD at higher leverage.

5.9 Restriction on incentives

Restriction on the incentives offered to trade CFDs. The retail client should not be provided with any direct or indirect a payment, monetary or excluded non-monetary benefit(s) in relation to the marketing, distribution or sale of CFDs, other than the profits recognised on any CFDs provided by the Company. Such marketing features and sales techniques referred to above when offering CFDs to clients include bonuses, especially clients depositing money on the account or on executing a certain volume of trades.

5.10 Categorization

5.10.1 Experienced retail clients are clients that score high marks in our appropriateness test, demonstrating satisfactory knowledge and experience when trading in complex financial instruments such as CFDs. Any clients who are considered as experienced based on their results in the appropriateness test, a default maximum leverage of 30:1 to 2:1 depending on the underlying asset of the CFD will be given. Experienced retail clients have the choice to change the leverage ratios they trade subject to the caps that we may apply based on our internal principles of risk appetite and tolerance, as well as the maximum allowed leverage for the respective financial instrument category as shown in the below table under section I.

Where, when a client requests a higher leverage, the default leverage may be increased provided that such an increase is justified based on the profile of the client and fulfil the conditions of the applicable ESMA Regulations. It should be noted that, Experienced retail client can request higher leverage through subsequently submitting a written request for client reclassification to Elective professional (from retail), and he/she must satisfy the requirements of the applicable Regulation.

5.10.2 No experience retail clients are clients who fail the appropriateness test (or scored low points). The Company recommends that such clients are directed towards educational tools, webinars or demo trading platforms with the aim of improving the client's knowledge and experience to trade CFDs or other speculative products. The Company will also provide an explicit risk warning to the clients with no experience stating that the product was assessed by us as being inappropriate for the client.

We will maintain records of clients who requested to proceed with the trading on Real account despite having failed the assessment and having read the given risk warning as well as whether we accepted the client's request to proceed with the trading on Real account under the above

circumstance. Where the Company chooses to grant the Retail client with Real account despite the given warning, the leverage shall remain limited to as low as level based on the below table or/ the Company's internal risk management policies.

5.10.3 With respect to Professional Clients, as these are defined in the Firm's Client Categorisation Policy and the maximum leverage ratio which will be offered, according to the underlying financial instrument, can be found in the below section of the present Policy.

5.11 Leverage Settings

Following the formal adoption of product intervention and measures on CFDs by the European Securities and Markets Authority (ESMA) on the 1st of May 2019, the Company shall ensure that all clients shall have the following maximum leverage settings on their account as follows:

Asset Class	Retail clients		Professional Clients	
	New Maximum Leverage	Initial Margin Requirement	New Maximum Leverage	Initial Margin Requirement
Major FX Pairs	1:30	3.33%	up to 1:400	As low as 0.25%
Non-Major FX Pairs	1:20	5%	up to 1:400	As low as 0.25%
Gold	1:20	5%	up to 1:200	As low as 0.5%
Major Indices	1:20	5%	up to 1:200	As low as 0.5%
Non-Major Indices	1:10	10%	up to 1:200	As low as 0.5%
Commodities	1:10	10%	up to 1:200	As low as 0.5%
Stocks	1:5	20%	up to 1:200	As low as 0.5%
Cryptocurrencies	1:2	50%	up to 1:4	As low as 25%

The Commission ("CySEC") requires the implementation of the lower leverage for retail clients of maximum 30:1 to 2:1 which vary according to the volatility of the underlying asset based on Directive DI87-09 regarding the restriction on the Marketing, Distribution or Sale of Contracts for Differences (CFDs) to Retail Client. The Company reserves the right to apply lower leverage as a result of corporate events, political events and in general extreme market conditions which have significant impact on the client's open positions, and with or without notice to you, in order to address likely market and financial instrument volatility. Where possible the Company will give clients at least two (2) days' notice of such change to enable them to take the action they consider appropriate.

5.12 Changing the default leverage

5.12.1 It is Company policy that retail clients are subject to trade with the maximum leverage of 30:1 to 2:1 depending on the underlying asset of the CFD, to comply with the applicable laws.

5.12.2 Where an experienced retail client wants to trade with a higher leverage than maximum ratio outlined in the above table, such request must be submitted a written form.

5.12.3 It may be required for us to re-categorise you as a 'elective professional client', but only in respect of the services or transactions for which it could be treated as a professional client to enable you trade with a higher leverage; and

5.12.4 The Company provides a higher leverage 100:1 on all asset classes (except for CFDs on stocks, 10:1 and CFDs on cryptocurrencies 2:1) to retail clients who elect to be treated as elective professional clients and the Company approves such application in accordance with the Company's Client Categorisation Policy and leverage may be adjusted as determined by the Business Terms and if so, agreed between the Company and the professional client. More

information shall be provided to the Elective professional client as soon as the application has been approved by the Company's Compliance department.

5.12.5 When a client requests to change the leverage, the Company will not impose any costs and charges for implementing the changes.

5.13 Retail Clients Important Notice

5.13.1 The Company shall limit leverage of retail clients (also known as new traders) to a maximum of 30:1 to 2:1 depending on the underlying asset of the CFD in accordance to the conditions of the applicable laws. Trading with a very high leverage ratio is one of the most common errors committed by new traders.

5.13.2 Therefore, until the client becomes more experienced, the Company recommends to the client to trade with a lower leverage ratio. The information gathered regarding the Company's clients are used in a manner which is in the client's best interests.

5.13.3 Please note that certain jurisdictions apply a cap on leverage ratios regardless of the client categorization or the appropriateness test score. However, in light inter alia of the cross-border nature when providing investment activities, Directive DI87-09 regarding the restriction on the Marketing, Distribution or Sale of Contracts for Differences (CFDs) to Retail Clients has set out measures on provision of CFDs to ensure a level of investor protection throughout the European Union (EU), in order to comply with the provisions of Article 42 of Regulation (EU) No 600/2014 (MiFIR II). Where a third country's jurisdiction leverage requirements are stricter than ESMA's intervention measure, then the stricter applicable requirements shall be applied by the Company.

5.13.4 You are kindly advised to read carefully read our Client Categorisation Policy and Business Terms to understand your obligations.

5.14 Monitoring Policy and Review Procedures

The Company's Policy is assessed and periodically reviewed, at least on an annual basis, or more frequently, should the need arise and any amendments to which may materially affect the way in which the Company would handle a leverage and margin of the Client shall be approved by the Company's Board of Directors, the client shall be notified in writing of the nature of the changes deemed appropriate by law, and the revised Policy will be available on the Company's Website.

Appendix A – Product Intervention Measures Implementation by Jurisdiction

ESMA Product Intervention Measures – Includes Percentage of Initial Margin by Underlying Type

https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_-_notice_en.pdf

A. Austria

Adoption of ESMA Product Intervention Measures – https://www.esma.europa.eu/sites/default/files/library/esma35-43-1906-esma_opinion_under_article_432_mifir_at_cfd.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below are the changes/additions to the original ESMA requirements found at Annex II – Risk Warnings (https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_-_notice_en.pdf).

Austria has adopted the ESMA regulation. The core differences are found in the Marketing Material where the changes/requirements are as follows:

1. For virtual currency the definition set out in Article 3(18) of Directive (EU) 2015/849 **is used**.
2. The measures do not expressly prohibit participating in circumvention. Finally, although the national measures would not expressly prohibit participating in circumvention activities due to national constitutional constraints, the FMA informed ESMA that it will ensure through its supervisory and enforcement activity that the national measures are correctly applied.
3. The standard risk warnings in the national measures use different wording than the corresponding risk warnings in ESMA's measures.
 - a. For the abbreviated standard risk warning, the national measures refer to 'the vast majority of retail clients accounts' instead of including a specific percentage and, for the reduced character standard risk warning, they refer to 'retail clients accounts generally lose money';
 - b. an exclamation mark is included at the end of the reduced character risk warnings; and
 - c. a graphical exclamation mark is included at the beginning of the durable medium and webpage risk warnings.

Links to the above measures: <https://www.fma.gv.at/en/fma-regulation-on-product-intervention-measures-fma-piv-published/>.

B. Belgium

Belgium has banned the sale and Marketing of CFDs and FX to retail Investors in the Country: <https://www.fsma.be/en/faq/fsma-regulation-governing-distribution-certain-derivative-financial-instruments-binary-options-0>.

In accordance with the provisions of Circular C155, the Company shall not distribute to Belgian Retail Client or Potential Belgian Retail Clients:

- derivative contracts whose maturity is less than one hour.

- derivative contracts with leverage, such as contracts for difference (CFDs) and rolling spot forex contracts.

The Company's website shall not make any references to Belgium and no advertising shall be carried out within the territory of Belgium. As regards professional clients residing in Belgium, the Company shall ensure that its products are distributed to professional clients, all in accordance with Financial Services and Markets Authority ("**FSMA**") requirements.

In accordance with FSMA, the following apply:

1. Royal Decree on certain information obligation for the marketing of financial products to retail clients (24/06/2014, last updated 23/09/2018) sets out certain requirements/conditions that need to be satisfied when advertisements are disseminated to retail clients, *including without limitation*, the obligations relating to the provision of an information sheet (a concise standardized and easy-to-understand document containing certain obligatory information intended to describe the product) and to advertising for financial products.
2. Circular "Rules that apply to advertisements when marketing financial products to retail clients" (FSMA_2015_16 of 27/10/2015 (update 30/07/2019)) sets out rules that apply to the professional marketing of financial products to retail clients within Belgian territory.
 - a. It should be noted that the rules of the Circular do not apply in certain instances, *including without limitation*, the following cases:
 - i. where the purchase of the financial product by a retail client requires an initial consideration of at least EUR 100,000 or in the case of UCITS of UCIs, of at least EUR 250,000; and marketing for the purpose of receipt and transmission of orders or execution of orders on the secondary market.

C. Bulgaria

Fully adopted the ESMA's product intervention measures – https://www.esma.europa.eu/sites/default/files/library/2019-esma-35-43-1980-esma_opinion_under_article_432_mifir_bg_cfd.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings (https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_notice_en.pdf).

D. Croatia

Fully adopted the ESMA's product intervention measures – https://www.esma.europa.eu/sites/default/files/library/2019-esma-35-43-2042-esma_opinion_under_article_432_mifir_hr_cfd.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: General Requirements Found Articles 55 and 56 at the Capital Market Act (Official Gazette 88/08) https://www.hanfa.hr/getfile/39633/2_3_0_Capital%20Market%20Act.pdf.

E. Denmark

Finanstilsynet of Denmark notified ESMA on 28 June 2019 of its intention to take product intervention measures

under Article 42 of that Regulation (national measures).

The national measures consist of a permanent restriction on the marketing, distribution or sale of contracts for differences (CFDs) to retail clients in or from Denmark.

Fully adopted the ESMA's product intervention measures – https://www.esma.europa.eu/sites/default/files/library/2019-esma-35-43-1985-esma_opinion_under_article_432_mifir_dk_cfd_002.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings (https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_notice_en.pdf).

F. Finland

The Finanssivalvonta (FSA) notified ESMA on 18 April 2019 of its intention to take a product intervention measure under Article 42 of that Regulation (national measure).

The national measure consists of a permanent prohibition on the marketing, distribution or sale of binary options to retail clients in or from Finland.

The FSA notified ESMA that the national measure is the same as ESMA's measure at national level. The national measure is expected to take effect on 2 July 2019.

Fully adopted the ESMA's product intervention measures – https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1913-esma_opinion_under_article_432_mifir_fi_bo.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings (https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_notice_en.pdf).

G. France

The national measures consist of a permanent restriction on the marketing, distribution or sale of contracts for differences (CFDs) to retail clients in or from France.

The AMF notified ESMA that the national measures are the same as ESMA's measures at national level, **except** that the national measures would include a definition of virtual currencies. The national measures are expected to take effect on 1 August 2019.

Partial Adoption of ESMA – https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1990-esma_opinion_under_article_432_mifir_fr_cfd.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

The Core differences between ESMA and the Additions Made by France:

1. Circular C202: <https://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=b04514b2-d87c-4ef6-b397-d3734e698432>.

- a. Article L. 533-12-7 was added to the French Law 2016-1691. More specifically, the following was added:

“Investment firms shall not address, directly or indirectly, by electronic means, marketing communications to any persons who may qualify as retail client, including potential retail clients, in respect of the provision of investment services on financial derivatives that pertain to any of the three categories of derivative as define in the AMFGR, that are not admitted to trading on a regulated market or multilateral trading facility and that meets one of the following characteristics:

- i. The maximum risk is unknown at the time the contract is entered into.
- ii. The risk of loss **is greater** than the amount initially invested.
- iii. The risk of loss compared to the potential advantages is not reasonably understood with regard to the particular nature of derivative.”

2. Circular C226: <https://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=58bd43f5-34c3-43f8-b4ca-037b05b23fff>.

- a. The AMF issued clarifications regarding the marketing prohibition of electronic advertising to retail investors when offering speculative, complex, and risky products in the territory of France in the form of Q&As.

3. **Investment companies or a credit institution from the European Economic Area:** <https://www.amf-france.org/en/professionals/investment-services-providers/my-relations-amf/provide-investment-services>.

- a. Pursuant to Articles L. 621-5-3 II 4° c) and D. 621-29 3° of the Monetary and Financial Code, you must pay a contribution to the AMF when:
- i. Firms are authorised to provide, **under freedom of establishment in France as at 1 January**, at least one investment service (for example, reception and transmission of orders, portfolio management, investment advice, underwriting of financial instruments...), or
 - ii. Firms are authorised on the same date, to provide the ancillary service of safekeeping and administration of financial instruments.
 - iii. The amount of the contribution is fixed and is €20,000.
 - iv. Firms must pay this amount directly to the AMF by 30 June at the latest each year, together with the proof of payment, which must include the taxpayer’s references and send it by email to the address declarationcontribution@amf-france.org.

H. Greece

The HCMC notified ESMA that the national measures are the same as ESMA’s measures at national level. – https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1988-esma_opinion_under_article_432_mifir_el_cfd.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings

(https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_-_notice_en.pdf).

I. Hungary

The Magyar Nemzeti Bank of Hungary (MNB) notified ESMA on **10 March 2020** of its intention to take product intervention measures under Article 42 of that Regulation (national measures).

- https://www.esma.europa.eu/sites/default/files/library/esma-35-43-2321_esma_opinion_under_article_432_mifir.pdf – **issued on 08 April 2020.**

The national measures consist of a permanent restriction on the marketing, distribution, or sale of contracts for differences (CFDs) to retail clients **in or from Hungary**.

- The service providers concerned are obliged to require varying degrees of initial margin– which is in line with the type of the underlying asset – from their retail clients. Based on the margin requirements, CFDs with various underlying assets will remain available for this clientele with a maximum of **30 to 1 leverage ratio**.
- For the protection of the retail clients concerned, market participants are obliged to apply margin close-out protection. Accordingly, one or more CFD positions have to be closed on terms most favorable to the client when the sum of funds in the CFD trading account and the unrealized net profits of all open CFDs connected to that account **falls to less than half of the total initial margin protection for all those open CFDs**.
- For negative balance protection it is also a rule that **a client's aggregate liability for all CFDs may not exceed the amount of the client's funds in the CFD trading account at the given moment, thus ensuring an upper limit for potential losses**.
- Market participants may not publish marketing information related to trading in CFDs unless it **contains the standardized risk warning** required by the MNB, which also presents the loss percentage of client accounts. In addition, service providers may not encourage trading by providing bonuses for their retail clients or **by using any other monetary or non-monetary benefits**.

<https://www.mnb.hu/letoltes/decision-no-h-je-iii-11-2020-binary-options.pdf>

1. As of 10 April 2020, the MNB prohibits the marketing, distribution, and sale of binary options (hereinafter together as: Sale) to retail clients, except for the binary options specified in point II.
2. The prohibition in point I does not apply to:
 - a. a binary option for which the lower of the two predetermined fixed amounts is at least equal to the total payment made by a retail client for the binary option, including any commission, transaction fees and other related costs.
 - b. a binary option that meets all the following conditions:
 - i. the term from issuance to maturity is at least 90 calendar days;
 - ii. a prospectus drawn up and approved in accordance with Directive 2003/71/EC and Regulation 2017/1129/EU is available to the public; and
 - iii. during the term of the binary option, the binary option does not expose the service provider to any market risk, and neither the service provider, nor any organization

belonging to the service provider's group makes any profit or loss on the binary option ,other than preliminarily announced commissions, transactions charges and related fees.

J. Italy

CONSOB notified ESMA that the national measures are the same as ESMA's measures at national level.

Fully adopted the ESMA's product intervention measures – https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1971-esma_opinion_under_article_423_mifir_it_cfd.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings (https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_-_notice_en.pdf).

General requirements regarding information and advertising to clients or potential clients are set out in Article 36 of the Regulation, including, among others, the following obligation:

"All information, including advertising and promotional messages sent by intermediaries to clients or potential clients must be accurate, clear and not misleading.

Advertising and promotional messages shall be clearly identifiable as such" (<http://www.consob.it/web/consob-and-its-activities/laws-and-regulations/documenti/english/laws/reg20307e.htm?hkeywords=&docid=4&page=0&hits=23&nav=false>).

K. Latvia

The FKTK notified ESMA that the national measures are the same as ESMA's measures at national level, with the difference that the national measures **would include minor amendments to the standard risk warnings in ESMA's measures.**

Fully adopted the ESMA's product intervention measures – https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1975-esma_opinion_under_article_432_mifir_lv_cfd.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings (https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_-_notice_en.pdf).

Further Additions to Marketing Material: <https://www.fktk.lv/en/news/press-releases/fcmc-establishes-permanent-restrictions-on-contracts-for-differences-and-binary-options-to-retail-clients/>.

The same as the ESMA's Product Intervention Measures currently in force, with the difference that the national measures would include minor amendment to the standard risk warnings:

- For the durable medium and webpage standard risk warning and the abbreviated standard risk warning: 'the vast majority of retail client accounts'
- For the reduced character standard risk warning: 'retail client accounts generally lose money'.

(if marketing in Latvia - Marketing addressed to retail clients in Latvia - distribution in Latvia).

ESMA advised the use a common Union risk warning to avoid such costs. Nonetheless, taking into account that the proposed risk warnings are substantially the same as those in ESMA's measures and that the standardised risk warning is, in any event, **only to be used in exceptional cases where a provider** has not provided an open CFD connected to a retail client CFD trading account **in the last 12 month calculation** period, ESMA considers that the proposed risk warnings in the national measures sufficiently inform retail investors about the risks related to trading in CFDs.

L. Lithuania

The LB notified ESMA that the national measures are the same as ESMA's measures at national level.

Fully adopted the ESMA's product intervention measures –
https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1915-esma_opinion_under_article_432_mifir_lt_bo.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings
https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_-_notice_en.pdf).

Further Marketing Material Additions: <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/525bc4b1f111e993cb8c8daaf8ff8a?positionInSearchResults=0&searchModelUUIID=9de3e219-22fa-4615-9898-2e5ec62060e4>.

The financial brokerage firm must provide to its clients and potential clients the following information:

1. when investment advice is provided, the investment firm must, in good time before it provides investment advice, inform the client:
 - a. whether or not the advice is provided on an independent basis;
 - b. whether the advice is based on a broad or on a more restricted analysis of different types of financial instruments;
 - c. whether the range of financial instruments assessed by the financial brokerage firm is limited to financial instruments issued or provided by entities having close links with the financial brokerage firm or any other legal or economic relationships, such as contractual relationships, so close as to pose a risk of impairing the independent basis of the advice provided;
 - d. whether the financial brokerage firm will provide the client with a periodic assessment of the suitability of the financial instruments recommended to that client.

M. Luxembourg

The CSSF notified ESMA that the national measures are the same as ESMA's measures at national level.

Fully adopted the ESMA's product intervention measures –
https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1991-esma_opinion_under_article_432_mifir_lu_bo.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings
https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_-_notice_en.pdf).

N. Malta

The MFSA notified ESMA that the national measures are the same as ESMA's measures at national level.

Fully adopted the ESMA's product intervention measures –
https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1994-esma_opinion_under_article_432_mifir_mt_cfd.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings
https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_-_notice_en.pdf).

Further Marketing Material Requirements:

These measures were implemented by including the relevant provisions in the Conduct of Business Rulebook. The relevant amendments are indicated in MFSA Circular.

1. Other Marketing Requirements:

- a. A European Investment Firm is required to comply with regulation 4 of the Investment Services Act (Investment Advertisements and Prospectus Exemption) Regulations (please refer to section 13 of the European Passport Rights for Investment Firms Regulations);
- b. Section 2 of the MFSA's Conduct of Business Rulebook, sets out the Marketing Rules that also apply to European Investment Firms regarding (i) any advertisement or information issued in or from Malta; and (ii) any advertisement or information which is circulated, published, broadcast or otherwise received in Malta.

O. Netherlands

The AFM notified ESMA that the national measures are the same as ESMA's measures at national level.

Fully adopted the ESMA's product intervention measures –
https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1776-esma_opinion_under_article_432_mifir_afm_bo.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings
https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_-_notice_en.pdf).

P. Poland

The KNF notified ESMA that the national measures are the same as ESMA's measures by also adding the following measures:

https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1797-esma_opinion_under_article_432_mifir_knf_bo.pdf

https://www.knf.gov.pl/knf/en/komponenty/img/Communication_from_the_KNF_on_Opinion_of_the_ESMA_cf_d_66848.pdf

- If a Polish Investment Firm provides services to another Member State, the Polish national measures will apply **only in the absence** of related product intervention measures applicable to the offering of investment services in the host Member State; and
- In the case of services provided **in the territory of Poland**, a **new category will be established** comprising of experienced clients who will have lower initial margin requirements for two (2) of the five (5) types of underlying in ESMA's measures (lower margin requirements for experienced clients).

Definition of experienced client:

A retail client that meets the following requirements:

1. the client is resident in Poland;
2. the client must have the requisite experience, which means that the client carried out any of the following activities over the last 24 months:
 - a. opening at least 10 transactions in CFDs with a nominal value of at least the equivalent in Polish zloty of EUR 50 000 each within the quarter in at least four quarters;
 - b. opening at least 50 transactions in CFDs with a nominal value of at least the equivalent in Polish zloty of EUR 10 000 each within the quarter in at least four quarters; or
 - c. opening at least 40 transactions in CFDs within the quarter in at least four quarters, where the total nominal value of all opened transactions for the 24 months period under assessment is at least the equivalent in Polish zloty of EUR 2 000 000.
3. the client must have knowledge of derivatives, which means any of the following:
 - a. the client holds appropriate professional certificates (CFA, FRM, PRM, ACI, Investment Advisor (DI), Securities Broker (MPW, etc.) or completion of a specialist field of study;
 - b. the client completed at least 50 hours of training in the last 12 months in the area of derivatives, including CFDs, to be confirmed either by the relevant certificates or confirmation issued by the relevant organiser of the training or, in each case provided that the organizer of the training has verified the client's knowledge before any such certificate or confirmation is issued; or
 - c. at least one year of work experience at a position which requires professional knowledge of transactions regarding CFDs or other derivatives.

In addition to the aforesaid, the national measures of the KNF requires the following to be ensured by CFD providers with respect to the classification of a Retail Client as experienced client:

- Any request from a Retail Client to a CFD Provider for categorisation as an experienced client is made in writing.
- Compliance of the experienced client with the relevant requirements shall be reviewed on annual basis by the CFD providers and records of such reviews will be kept.

Circular C221: <https://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=3f08dccb-5dc3-4574-91b5-2f2fa1b932a9>.

- The activity of client/potential client acquisition and the activity of advising on the range of the investment services provided by a (foreign) investment firm or on financial instruments that are subject to those services, may only be conducted in the territory of Poland:
 - by a (foreign) investment firm; or
 - an agent of a (foreign) investment firm.
- Entities other than a (foreign) investment firm or an agent of a (foreign) investment firm may only conduct the said activities if the information is, at the same time, communicated to a broad group of clients or potential clients of the investment firm or to an indefinite recipient (e.g. TV or radio advertisement).

Q. Portugal

Fully adopted the ESMA's product intervention measures –
https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1776-esma_opinion_under_article_432_mifir_afm_bo.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings
https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_-_notice_en.pdf.

R. Romania

The specific potential measures **under consideration are:**

1. Leverage limits on the opening of a position by a retail client. These would range from 30:1 to 5:1 to reflect the historical price behaviour of different classes of underlying assets;
2. A margin close out rule on a position by position basis. This would standardise the percentage of margin at which providers are required to close out a retail client's open CFD;
3. Negative balance protection on a per account basis. This would provide an overall guaranteed limit on retail client losses;
4. A restriction on the incentivisation of trading provided by a CFD provider; and
5. A standardised risk warning by CFD providers. This would include an indication of the range of losses on retail investor accounts.

S. Slovakia

The Národná Banka Slovenska of Slovakia (NBS) notified ESMA on 7 May 2019 of its intention to take a product intervention measure under Article 42 of that Regulation (national measure). (4) The national measure consists of a permanent prohibition on the marketing, distribution or sale of binary options to retail clients in or from Slovakia.

Fully adopted the ESMA's product intervention measures –
https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1950-esma_opinion_under_article_432_mifir_sk_bo.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings
 (https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_-_notice_en.pdf).

T. Slovenia

Fully adopted the ESMA's product intervention measures –
https://www.esma.europa.eu/sites/default/files/library/esma-35-43-2062-esma_opinion_under_article_432_mifir_si_bo.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings
 (https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_-_notice_en.pdf).

U. Spain

The Comisión Nacional del Mercado de Valores of Spain (CNMV) notified ESMA on 26 April 2019 of its intention to take product intervention measures under Article 42 of the Regulation (national measures).

https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1935-esma_opinion_under_article_432_mifir_es_cfd.pdf

Measures are the same as the ESMA's Product Intervention Measures currently in force, except that the national measures would also require the below (hereafter the "Additional Requirement") from providers offering CFDs to Retail Clients in Spain on a cross border basis (since it is already in force for Spanish Investment Firms, Spanish Branches and Tied Agents of providers authorised in other Member States offering CFDs to Retail Clients in Spain):

- To obtain, prior to selling a CFD to a Retail Client, the following statement from the client:
- "Product that is difficult to understand. The CNMV considers that, in general, it is not appropriate for retail investors."
- The aforesaid statement have to be obtained in writing (handwritten or in a text-box for online services), except for orders placed via the phone for which the statement would have to be obtained orally and recorded. (Risk Warning Conditions are set out in https://www.cnmv.es/docportal/Legislacion/resoluciones/27_06_19_EN.pdf Annex II of the Regulations).
- CFD providers would have to obtain the aforesaid statement only for the first two (2) orders placed by a Retail Client, and not for subsequent orders placed by the client.
- The Additional Requirement is not applicable for discretionary portfolio management and investment advice services.

The above:

https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1935-esma_opinion_under_article_432_mifir_es_cfd.pdf

<https://www.cnmv.es/Portal/verDoc.axd?t=%7b71a00a91-409b-4c62-91d5-900924609eba%7d>.

Spanish Securities and Exchange Commission (“CNMV”):

1. Circular 1/2018.

- Entities that provide investment services within the scope of the Circular other than investment advice relating to among others, CFDs must provide a **warning** to retail clients with the following content:

“You are about to purchase a product that is not simple and may be difficult to understand: (The product should be identified here). As a general rule, the CNMV considers that such products are not appropriate for retail clients, due to their complexity. However, ZZZ (name of the institution) has assessed your knowledge and experience and deems the product appropriate for you.”

- In the case where the retail client may assume financial commitments for an amount greater than the instrument's purchase cost, a second paragraph must be added with the following content:

“This is a product with leverage. You should be aware that losses may be higher than the amount initially paid to purchase the product.”

- The entity must **obtain the retail client's signature** to the text referred to in the above section along with a handwritten statement saying: *“Product that is difficult to understand. The CNMV considers that, in general, it is not appropriate for retail investors.”*

V. Sweden

Fully adopted the ESMA's product intervention measures – https://www.esma.europa.eu/sites/default/files/library/esma-35-43-1998-esma_opinion_under_article_432_mifir_se_bo.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings (https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_notice_en.pdf).

Further to the above Marketing Material Requirements:

Formulation of Risk Warnings: the relevant requirements are set out in Chapter 4 (<https://www.fi.se/contentassets/cef8aaa57d2d41b083938b09b88d3927/fs1907-eng.pdf>) and Appendix 2 of the Regulations (<https://www.fi.se/contentassets/cef8aaa57d2d41b083938b09b88d3927/fs1907-eng.pdf>).

W. Liechtenstein

Fully adopted the ESMA's product intervention measures – https://www.esma.europa.eu/sites/default/files/library/esma34-32-352_qa_aifmd.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings (https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_notice_en.pdf).

Further Information to Marketing Material:

1. Tied Agents:

- a. As part of their investment services and ancillary services, banks and investment firms may appoint tied agents for the purposes of promoting their business, entering into new business relationships, or receiving orders from clients or potential clients and transmitting them, placing financial instruments, and providing advice in respect of the investment services, ancillary services, and financial instruments offered by that bank or investment firm, provided that the latter are subject to registration according to Article 35(8).124.
- b. Banks and investment firms that appoint tied agents must monitor them appropriately and are liable without limitation for any action or omission on the part of the tied agent when acting on behalf of the bank or investment firm.
- c. The Government shall provide further details concerning tied agents by ordinance, especially the preconditions for registering them or the demands placed on them.

X. Norway

Fully adopted the ESMA's product intervention measures –
https://www.esma.europa.eu/sites/default/files/library/2020-esma-35-43-2171-esma_opinion_under_article_432_mifir_no_cfd.pdf.

It has adopted the Private Customer Initial Margins as found on ESMA - Annex I:

Marketing Material: The below requirements found at Annex II – Risk Warnings (https://www.esma.europa.eu/sites/default/files/library/esma35-43-1912_cfd_renewal_3_notice_en.pdf).

Further Information to Marketing Material: <https://www.finanstilsynet.no/globalassets/laws-and-regulations/regulations/regulations-measurement-own-funds--financial-institutions-clearing-houses-investment-firms.pdf>.

- All marketing shall be designed and presented in such a way that it is clear that it is marketing.
- Documentation shall be available to substantiate factual claims made in marketing, including as to the properties or effect of products. The documentation shall be in the possession of the advertiser at the time that the marketing takes place.
- Unfair commercial practices shall be prohibited.
- A commercial practice shall be unfair if it conflicts with good business practice towards consumers and is likely materially to distort the economic behaviour of consumers, causing them to make decisions they would not otherwise have made.
- A commercial practice shall be considered misleading if it contains false information and is therefore untruthful, or if it is otherwise likely to deceive consumers.
- A commercial practice shall be considered misleading if, in its specific context and pursuant to an overall evaluation, it omits or hides material information that consumers require in the context to be able to make an informed economic decision, or if it presents the information in an unclear, unintelligible, ambiguous or unsuitable manner.
- A commercial practice shall be considered aggressive if it, in its specific context and pursuant to an overall evaluation, by harassment, coercion, including the use of physical force, or undue

influence, is likely significantly to impair the freedom of choice or conduct of consumers with regard to a product. “Undue influence” shall mean exploiting a position of power in relation to consumers so as to apply pressure.