LEVERAGE POLICY

Earn
Online Broker

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Introduction

Top Markets Solutions Ltd ("the Company"), operating under the trade name Earn, is an Investment Firm regulated by the Cyprus Securities and Exchange Commission (license No. CIF 158/11).

This Policy is issued pursuant to, and is established in accordance to:

- EU Directive 2014/65/EU on Markets in Financial Instruments (hereafter "MiFID");
- Law 87(I)/2017 for the Provision of Investments Services, the Exercise of Investment Activities and the Operation of Regulated Markets (hereafter "the Law");
- CySec Directive DI144-2014-14 for the Prudential Supervision of Investment Firms;
- Circular C168 of the Cyprus Securities and Exchange Commission (hereafter "CySec");
- Circular C271 of the Cyprus Securities and Exchange Commission (hereafter "CySec");
- ESMA/2016/1165 - Questions and Answers relating to the provision of CFDs and other speculative products to retails investors under MiFID;
- ESMA35-43-1135 – Notice of ESMA's product intervention decisions in relation to CFDs and Binary Options;
- ESMA35-36-1262 – Questions and Answers on ESMA's temporary product intervention measures on the marketing, distribution or sale of CFDs & Binary Options to retail clients;
- ESMA Decision (EU) 2018/796 of 22 May 2018 to temporarily restrict contracts for differences in the Union in accordance with Article 40 of Regulation (EU) No. 600/2014 of the European Parliament and of the Council, as in force.
- CySEC Directive DI87-09 for the restriction on the Marketing, Distribution or Sale of Contracts for Differences (CFDs) to Retail Clients (in Greek only)
- CMVM Regulation No. 5/2019 Restricts the marketing, distribution and sale of contracts for differences and prohibits the marketing, distribution and sale of binary options in Portugal to retail investors
- KNF Decision 456.2.2019 on the establishment of restrictions on the marketing, distribution and sale to retail clients of contracts for difference (CFD) [DECYZJA NR DAS.456.2.2019 KOMISJI NADZORU FINANSOWEGO w sprawie ustanowienia ograniczeń w zakresie wprowadzania do obrotu, dystrybucji oraz sprzedaży klientom detalicznym kontraktów na różnicę (CFD)]
- CONSOB Decision n. 20976 Limitations on the marketing, distribution and sale, in Italy or from Italy, of Contracts for Difference to retail customers pursuant to art. 42 of Regulation (EU) no. 600 of 15 May 2014 [Delibera n. 20976 - Limitazioni alla commercializzazione, alla distribuzione e alla vendita, in Italia o dall'Italia, di

Contratti per Differenza ai clienti al dettaglio ai sensi dell'art. 42 del regolamento (UE) n. 600 del 15 maggio 2014]

- ASF Regulation no. 11/2018 regarding the application of some provisions of art. 104 of Law no. 126/2018 on the markets of financial instruments [Regulament nr. 11/ 2018 privind aplicarea unor prevederi ale art. 104 din Legea nr. 126/2018 privind pieţele de instrumente financiare]
- National Product Intervention Measures in relation to the marketing, distribution or sale of CFDs to retail clients, as in force in all other EU member states

The above Directives, laws, regulations and guidelines are hereinafter referred to as the "Applicable Regulations".

1. Scope, Applicability and Purpose

This Policy is considered as a part of the Client Agreement between the Company and the Client and should be read in conjunction with the Client Agreement and the Terms & Conditions. Accordingly, during opening a trading account with the Company, the Client accepts and agrees with this Policy.

Using leverage means that clients can trade positions larger than the amount of money in their trading accounts. High leverage can significantly increase the potential return, but it can also significantly increase potential losses.

Moreover, the result of the leverage is asymmetric, whereby the losses of Company's clients are limited to their deposits (see "Negative Balance Protection" below), whereas the effect of the leverage on returns on the client accounts is not limited. The Company will apply the set of measures to contain the outcomes of the leveraged trading within the limits of counterparties' tolerance to losses.

This Policy outlines how the Company sets its Leverage levels and procedures with respect to its clients' trading in financial instruments offered by the Company to the above purpose. The Policy is applicable to all accounts opened by the Company for trading in Forex and CFD instruments.

Furthermore, this Policy aims to ensure that the leverage offered to Retail clients is in their best interests in order to increase investor protection.

2. Approach

The Company acts in accordance with the principle of Treating Customers Fairly and with its duty to act honestly, fairly, professionally and in the best interests of its clients in accordance with the Applicable Regulations. The Company also acts in line with the requirement to implement policies and processes for the identification, measurement and management of all material sources and effects of market risks.

The following policy is designed to achieve fair treatment of the Company's Clients and increasing investor protection by setting leverage levels that reflect the Client's knowledge and experience in trading complex financial instruments (like Forex and CFDs) given that trading with leverage and margin is key characteristics of these products.

In relation to Leverage, this means that the Company shall inter alia do the following:

a) Offer to Clients differentiated leverage levels based on the assessment of the Clients knowledge and experience in trading in complex financial instruments;
b) Offer to Client the possibility of changing leverage levels for existing accounts;
c) Have in place effective mechanism to limit the risk of shortfall in Clients funds resulting from the application of the leverage;
d) Define its own risk management appetite and risk bearing capacity and have in place procedures and practices to manage its market risk arising from leveraged trading by its Clients;
e) Apply regulatory requirements and caps as set by CySEC or any other regulator in any jurisdiction where Company's services are offered.

3. Definitions

"Balance" illustrates the sum of net amount held in the Client's Account after all completed trades, transactions, deposits and withdrawals.

"Equity" represents the capital value of the Client's Account which is the balance plus or minus any floating profit/loss of an open position.

"Leverage" is the ability to control a large amount of money without actually having this amount. It is expressed as a ratio such as 1:2, 1:10, 1:30. The ratio represents the correlation of how many times the purchasing power is increased and it allows a Client to trade amounts significantly higher than then funds the Client invests.

"Margin Requirement" is the leverage expressed in percentage terms. For example, a leverage of 1:30 is a margin requirement of 3.33%

"Margin" is the term given to the amount of money required in order to open a trade. Margin is calculated based on the current market quote of the base currency of the trader's account vs. base currency of the trader's account, the volume requested, and the leverage level of the trader's account.

"Free Margin" means the amount of funds available in the Client Account to open new trades or to maintain the already opened one.

"Margin Level" indicates the ratio of equity to used margin and determines whether the traders can take any new positions or not.

"Margin Call" is a warning that occurs when Client's account is running out of sufficient funds to sustain an open position in the market.

"Stop Out" (or close-out) occurs when the margin level of the trading account falls below a specified level, then the least profitable positions (the positions with the higher loss) will start to be closing automatically one by one in order to release as much margin as possible and make free margin available to maintain the open positions. The purpose of the Stop out is to protect the Client's Equity and prevent falling into negative balance.

4. Differentiated Leverage Levels

This Policy applies to all Retail and Professional Clients of the Company (whether they are present or future Clients of the Company). The Policy does not apply to Eligible Counterparties as defined under the Law.

In June 2018, ESMA has formally intervened on pan-European level and has introduced new product intervention measures on the provisions of CFDs and Forex in relation to Retail Clients. Consequently, as of 1st of August 2018, the Company has differentiated the leverage levels offered depending on the categorization of the Clients as Professional or Retail.

5. Leverage settings for Professional Clients

Professional Clients either per se or elective (upon their written request) are offered the following leverage levels based on client classification and exposure:

- Up to 100:1 for forex, metals, energies and indices
- Up to 10:1 for agricultural commodities, equities and ETFs
- Up to 5:1 for cryptocurrencies

Floating Margin Requirements for MT4 Accounts

Floating margin requirements only apply to professional clients and to the financial instrument types as per the table below. CFDs on Stocks, ETFs and Cryptocurrencies have fixed margin requirements as per Trading Conditions and set above.

a. Forex

USD Exposure	Standard Lots USD (Lot = 100,000)	Max Leverage Applied	Floating Margin
0 - 2,000,000	0 - 19.99	1:100	1.00%
2,000,000 - 7,000,000	20 - 69.99	1:50	2.00%
7,000,000-10,000,000	70-99.99	1:25	4.00%
Over 10 mil	Over 100 lots	1:10	10.00%

b. Metals

USD Exposure	Contracts XAUUSD @ 1340 per oz (1 contract = 100 oz)	Max Leverage Applied	Floating Margin
0 - 5,000,000	0 ~37.5	1:100	1.00%
5,000,000 - 10,000,000	~37.5 - ~75	1:50	2%
Over 10 mil	Over 75	1:25	4.00%

c. Energies

USD Exposure	Contracts USCrude @ 65 per bbl (1 contract = 1,000 bbl)	Max Leverage Applied	Floating Margin
0 – 1,000,000	0 - ~15	1:100	1.00%
1,000,000 – 5,000,000	~15 - ~76	1:50	2.00%
5,000,000 – 10,000,000	~76 - ~149	1:25	4.00%
Over 10 mil	Over ~149	1:10	10.00%

d. Indices

USD Exposure	Contracts US30 @26200 (1 contract = 10 indices)	Max Leverage Applied	Floating Margin
0 – 1,000,000	0 - ~3.82	1:100	1.00%
1,000,000 – 2,000,000	~3.83 - ~7.63	1:50	2.00%
2,000,000 – 5,000,000	~7.64 - ~19.1	1:25	4.00%
Over 5 mil	Over ~19.2	1:10	10.00%

6. Leverage settings for Retail Clients

Specific leverage limits apply for Retail clients. These new rules are designed to offer further protection to retail traders. Subject to CySEC Directive DI87-09, the Company implements the below measures which supersede any other section in this Leverage Policy.

Leverage limits when you open a position vary according to the volatility of the underlying assets:

- 3,33% (30:1 for major currency pairs) of the notional value of the instrument when the underlying currency pair is composed of any two of the currencies like US Dollar, Euro, Japanese Yen, Pound Sterling, Canadian Dollar or Swiss Franc;
- 5% (20:1 for non-major currency pairs, gold and major equity indices) of the notional value of the instrument when the underlying index, currency pair or commodity is Euro Stoxx 50 (EUR50), Financial Times Stock Exchange 100 (UK100), Cotation Assistee en Continu 40 (FRA40), Deutsche Bourse AG German Stock Index 30 (GER30), Dow Jones Industrial Average (US30), Standard & Poor's 500 (US500), NASDAQ Composite Index (USTech100), a currency pair composed of at least one currency which is not listed in the previous point, or Gold;
- 10% (10:1 for commodities other than Gold and non-major equity indices) of the notional value of the CFD when the underlying commodity or equity index is a commodity or any equity index other than those listen in the previous point;
- 50% (2:1 for cryptocurrencies) of the notional value of the CFD when the underlying is a cryptocurrency, or;
- 20% (5:1 for individual equities and other reference values) of the notional value of the CFD when the underlying is a share, or an underlying not otherwise listed above

Minimum Margin Requirement	**Maximum Leverage**	**Product (CFDs on underlying instruments such as below)**
3.33%	30:1	Major Currency Pairs as described above
5%	20:1	Non-major currency pairs, gold, major equity indices
10%	10:1	Commodities other than gold, non-major equity indices
20%	5:1	Individual stocks and other reference values
50%	2:1	Cryptocurrencies

With regards to Retail Clients with residence in Poland, these restrictions do not apply to Experienced Retail Clients (ERCs), a new category of retail clients for whom the KNF has introduced lower margin requirements (KNF Decision NR DAS.456.2.2019).

In order to obtain the status of **an experienced retail client** (a written application must be submitted), all of the conditions listed below must be met:

A. a retail client has, within the last 24 months:
   - opened transactions on CFDs with the nominal value being at least the equivalent in PLN of EUR 50,000 each, with the frequency of at least 10 opened transaction within four quarters; **or**
   - opened transactions on CFDs with the nominal value being at least the equivalent in PLN of EUR 10,000 each, with the frequency of at least 50 opened transaction within four quarters; **or**
   - opened transactions on CFDS with the total nominal value being at least the equivalent in PLN of EUR 2,000,000, provided that a client has opened at least 40 transactions per quarter within four quarters;

B. a retail client has relevant knowledge of derivatives, including CFDs, confirmed as follows:
   - by obtaining relevant professional certificates, particularly in the following areas: Investment Adviser, Stockbroker, Chartered Financial Analyst, Financial Risk Manager, Professional Risk Manager, ACI Dealing Certificate, ACI Diploma, or relevant specialist education, **or**
   - by participation in training sessions of at least 50 hours, on derivatives, including CFDs, confirmed by obtaining relevant certificates issued following a verification of knowledge by competent entities conducting training sessions, within the last 12 months; **or**
   - by confirmation that a client is or was engaged in activity or work under a contract of employment or other contractual relation as a basis for performing a function, for at least a year, in a position that requires professional knowledge related to opening transactions on CFDs or other derivatives.

An experienced retail client may be offered CFDs with a higher level of leverage, however, the remaining limitations will still prevail.

The Company may apply a minimum initial margin of 1% of a CFD's nominal value (i.e 100:1leverage level), when the base instrument is:

- a currency pair,
- one of the following stock indices:
  - Financial Times Stock Exchange 100 (FTSE 100);
  - Cotation Assistée en Continu 40 (CAC 40);
  - Deutsche Boerse AG German Stock Index 30 (DAX30);
  - Dow Jones Industrial Average (DJIA);

- Standard & Poors 500 (S&P 500);
- NASDAQ Composite Index (NASDAQ),
- NASDAQ 100 Index (NASDAQ 100);
- Nikkei Index (Nikkei 225);
- Standard & Poors / Australian Securities Exchange 200 (ASX 200);
- EURO STOXX 50 Index (EURO STOXX 50);

- GOLD

The Company reserves the right to ask for additional documents in order to evaluate the customer's categorization.

Product (CFDs on underlying instruments such as below)	**Minimum Margin Requirement**	**Maximum Leverage For retail clients**	**Minimum Margin Requirement for ERCs**	**Maximum Leverage for ERCs**
Major Currency Pairs as described above	3.33%	30:1	1%	100:1
Non-major currency pairs, gold, major equity indices	5%	20:1	1%	100:1
Commodities other than gold, non-major equity indices	10%	10:1	10%	10:1
Individual stocks and other reference values	20%	5:1	20%	5:1
Cryptocurrencies	50%	2:1	50%	2:1

7. Differentiating Leverage for Specific Products

As CFDs relate to a broad range of diverse underlying asset classes and financial instruments, the Company will set leverage ratios for such instruments based on the volatility of each specific underlying asset class, and will amend them accordingly in case market conditions for the specific asset classes change materially. The Company reserves the right to reduce leverage ratios for CFDs by increasing the margin requirement, with or without prior written notice, in order to address potential market and financial instrument volatility. The Company also reserves the right to reduce effective leverage ratios for specific Forex products by

increasing the margin requirement, with or without prior written notice to address potential market instabilities.

8. Negative Balance Protection

The Company offers all its clients Negative Balance Protection by ensuring that the maximum loss for clients at any point in time shall never exceed their available funds by executing automated Stop Out orders on Client's positions as Client's equity approaches zero level. This means that a client can never lose more funds than the amounts invested with the Company, regardless of the size and direction of position, and the magnitude of possible losses otherwise implied by the leverage level of the Client's account.

In addition, As per CySEC Directive DI87-09 the Company applies a margin close-out rule on a per account basis at 50% regarding Retail Clients, which means that if the margin level on the account drops below 50% (Stop Out Level), one or more open positions will be closed according to the procedure explicitly defined in the Terms & Conditions. Margin Call is triggered at 70%.

9. Risk Management Implications

Since leverage can significantly increase the magnitude of profits or losses on the transactions executed by the Company, the impact of leverage on sizeable client accounts could, under certain unfavorable conditions, unfold into a material risk to the Company's capital base. Thus, the Company shall monitor on an going basis the actual activity of Clients receiving high-risk leverage in conjunction with the Company's Capital Basis and financial strength.

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 described in the relevant regulatory framework.

In order to achieve the above, the Company might take any actions or a combination of the following:

- Reduce leverage on particular instruments (CFDs on Commodities, Energies, Exotic FX pairs)
- Increase the Company's Own funds thus creating a Capital Buffer above the Company's regulatory minimum Own Funds, which will protect the Company's Capital Base in case of adverse market movements.

- Any other action deemed necessary to protect the Company's Capital Base and financial strength

10. Specific Regulatory Restrictions

ESMA's product intervention measures, which have been adopted as national product intervention measures by the Regulatory Authorities of the EU member statesare not limited to clients who are based within the EEA. They apply to retail investors residing both in the EEA and to third countries. The MiFID II regime does not discriminate on the basis of the location of clients, but rather it applies to services provided by investment firms which are authorised in the EEA.

Regulatory caps may also exist in other jurisdictions, irrespective of any retail client categorization into Experienced or Less Experienced.

Poland

In accordance with KNF Decision NR DAS.456.2.2019 the leverage-related restrictions introduced for retail clients, do not apply to Experienced Retail Clients (ERCs), a new category of retail clients, whereas the conditions below are in force:

- protection by means of closing a position should the balance of funds deposited into the account fall below 50%;
- negative balance protection, i.e. preventing a client from incurring losses that exceed the value of deposited funds;
- access only to materials about and advertisements of CFDs that contain the standardized risk warning against risks related to investing in CFDs, and
- prohibition of offering any financial or non-financial bonuses aimed at encouraging clients to invest in CFDs.

The Company will monitor regulatory developments pertaining to the use of leverage or restriction on offering of CFDs in all countries where it offers its services and will adjust its terms of trading accordingly.

11. Conflict of Interest

In line with the Company's culture and policy of treating customers fairly, we hereby remind our Clients that the Company may be counterparty to your trades. The Company shall adopt, to the extent possible, the necessary measures in order to avoid any potential conflicts of

interest or resolve any existing conflicts of interest between itself or persons associated with itself and the Client, or amongst its clients, pursuant to its Conflict of Interest Policy.

12. Policy Amendments

The Company reserves the right to review and/or amend its Policy and arrangements whenever deemed appropriate or a material change occurs in the legislative/regulatory framework, or in the Company's risk profile or internal procedures, or whenever the Company deems is necessary according to the terms of the Client Agreement.