instaforex
Instant Forex Trading

INSTANT TRADING EU LTD

Leverage and Margin Policy

Version 3.0
Dated 27.11.2020

Table of Contents

1. Introductions

INSTANT TRADING EU LTD (hereafter the "**Company**"), is a Cyprus Investment Firm regulated and authorized by the Cyprus Securities and Exchange Commission ('**CySEC'**) under license number 266/15 and registered with the Registrar of Companies in Nicosia under number HE 266937.

This Leverage and Margin Policy (hereafter the "**Policy**") is in accordance with the Law 87(I)/2017 - Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and Other Related Matters (hereafter the "**Law**").

On 1st of June 2018, the European Securities and Markets Authority's ("**ESMA**") issued a product intervention decision on Contracts for Difference (CFDs) and Binary Options and on the 4th of June 2018 CySEC has issued Circular C271 which inter alia impose leverage limits on the opening of a CFD by a retail client from 30:1 to 2:1, which vary according to the volatility of the underlying and a margin close-out rule per account basis. The ESMA's measures and the renewals thereof lapsed for the final time on the 1st of August 2019. Pursuant to the issuance of CySEC's Circular C330 the Company shall continue to apply the content of ESMA's measures irrespective of the deadline lapsing and until National Product Intervention Measures have been adopted.

The Company is authorized to provide investment and ancillary services with regards to specific financial instruments as stated in its CySEC License and this Policy sets out the leverage and margin levels and procedures applicable to leveraged product transactions between the Company and its clients ("Clients", "you").

The Company reserves the right to introduce changes to this Policy from time to time. This Policy is the responsibility of the Company's Senior Management and the Board of Directors. The Policy will be reviewed at least on annual basis and whenever a material change is made in the Company operations. 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.

2. Scope

This Policy sets out how we set leverage and margin levels and procedures when you trade in **CFDs** with us. The purpose of this Policy is to explain the key aspects of leverage trading 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.

This Policy applies to the Company's execution of orders on behalf of retail Clients and professional Clients according to the Regulations, as defined below. If you are an eligible counterparty as defined under the Regulations this Policy does not apply to you.

3. Company's Obligation

Treating Clients fairly is vital to our corporate culture and 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. In relation to leverage and margin, the Company is required:

(a) to set leverage levels that reflect your knowledge and experience in trading in complex financial instruments like CFDs given that trading with leverage and margin is a key characteristic of trading in CFDs;

(b) to have regard to our duty to treat you fairly by avoiding aggressive leverage practices towards you;

(c) to have regard to the underlying performance fundamentals of the financial instrument on which the CFD is based, including, if applicable, historic volatility, depth of market liquidity and trading volumes, market 3 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;

(d) 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;

(e) to apply regulatory requirements and caps as set by CySEC and/or ESMA.

4. Clients' Obligation

The Company shall rely on the information provided by yourself regarding your knowledge, experience, financial situation and investment objectives.

You acknowledge that our assessment of your use of our leverage ratios is performed based on the information and documents provided by you, and you confirm the truthfulness, correctness and completeness of such information.

You acknowledge that we may rely upon such information and that you are responsible for any damages or losses which may result from any inaccuracies.

It shall be your responsibility to ensure that you understand how margin requirements are calculated.

The Company reserves the right to request for you to provide adequate documentation and/or to demonstrate that the changes to your investor profile are evident and it shall be your responsibility to provide the Company with any supporting documentation which will be deemed necessary to allow the Company to determine whether your suitability classification can change and if your leverage ratio can be revised.

5. Definitions and Examples

What is leveraged trading?
Trading on leveraged capital means that you can trade amounts significantly higher than the funds you invest, which only serve as the margin. High leverage can significantly increase the potential return, but it can also significantly increase potential losses.

The leverage is specified as a ratio, such as 1:10, 1:20, 1:30. This means that you, as our Client, can trade with amounts many times higher than you could invest in a particular CFD without the margin we provide. Sometimes the leverage is expressed in percentage terms – and referred to as margin requirement. For example, a leverage of 1:20 is a margin requirement of 5%.

Example: If the leverage is 1:30 and if you as our Client have $1,000 in your account, it means that you can now open trades worth $30,000.

What is spread?
The spread is the difference between the bid price (selling price) and the ask price (buying price) of the CFD.

Example: If the quote for the EUR/ USD pair is 1.2910 against 1.2913, then the spread is 3 pips.

What is the initial/required margin?
Also known as the initial margin requirement, the initial margin is the percentage of a financial instrument price that you, as the Client, need to pay for with your own money. This requirement is basically the amount of collateral needed in order to open a margin account. Required margin or margin requirement refers to the amount you need in order to open and maintain a position, in addition to the initial loss that will occur due to the spread. The required margin is derived from the following formula: (amount * instrument price) / leverage + (amount * spread).

The free funds, which remain on Your account and which are not covered by the initial margin at the time of entering into a transaction, may be used by the Company to top up the margin for the purposes of maintaining your open positions, without a prior notification.

Example: If you intend to buy a CFD on 10 barrels of oil at a price of 51.30 per barrel and the leverage on the Oil CFD is 1:10 and the spread on the Oil CFD is $0.03, so your margin requirement is calculated as follows: (10 * 51.30) / 10 + (10 * 0.03) = $51.60.

What is equity?
In short, equity can be defined as the value of your portfolio with us. Effectively it is the value of your funds with the Company (which at any point in time include realized profits and losses) plus the unrealized profit and loss on your CFDs based on their latest quoted valuation.

What is margin level?
The margin level indicates how close your account is to a margin call. It is calculated as equity/initial margin and is typically shown in “%”.

Example:

Your equity is: $10,000
Your wish to open a buy position of 10,000 USD/ CHF.
Margin requirement:
If for the USD/CHF pair, the margin requirement is 5% which equals $500, so margin level %: ($10,000 / $500) * 100 = 2000 %.

When the margin level decreases, your account bears an increased risk of liquidation. We call this the close out (stop out) level and explain it further below. You are advised that you should monitor this margin level at all times. Whilst we may from time to time send you notifications of your margin level reaching certain thresholds, you are reminded that under the retail client investments services agreement between you and us it is your responsibility to monitor at all times the margin level and take relevant actions.
Relevant actions that you can take to restore your margin level include:

- closing or hedging some of your open positions;
- depositing more funds that can help in averaging down your position.

Please note that we reserve the right to change at our sole discretion the margin requirements without prior notification to you, based on actual or expected (in our opinion) market volatility or our view of market conditions in general.

What is free margin?
Free margin is the sum of funds you have available to use as initial margin for new positions. This is calculated by subtracting the margin used for your current open positions from your equity.

What is a margin Call and margin stop-out?
Although each Client is fully responsible for monitoring their trading account activity, our Company follows a margin call policy to guarantee that your maximum possible risk does not exceed your account equity.
As soon as your account equity drops below 100% of the margin needed to maintain your open positions, we will attempt to notify you with a margin call warning you that you do not have sufficient equity to support open positions.
In case you are a Client accustomed to telephone trading and we feel that you can't maintain your open positions, you may receive a margin call from our dealers, advising you to deposit a sufficient amount in order to maintain your open positions.
The stop-out level refers to the equity level at which your open positions get automatically closed. For trading accounts held by retail Clients the stop-out level is 50%.

Example: You have a margin call level at 100% and a margin stop-out level at 50%. You have an open position on EUR/USD with a used margin of $500. Your balance is $10,000 and your equity $900. This means that your maintenance margin is at 180% (equity of $900 divided by margin used of $500). If your balance reaches $9,600 this means that your equity will become $500. Therefore, your maintenance margin will be 500/500 = 100% (which is the point at which we will issue you with a margin call as described above. If your balance reaches $9350, your equity will become $250 which means a margin close out will take place, resulting in the closure of your position.

The Company sets the margin close out level at 50% of minimum required margin following the ESMA's product intervention measures which the Company continues to apply in accordance with CySEC's Circular C330, despite the lapsed of the ESMA's measures and their renewals thereof.

What is the used margin?
Used margin indicates the sum of margin being used by your current open positions. It is calculated by adding the initial margins of all your open positions.
Example:
You open a position of 10,000 EUR/USD at 1.1175. Assume that the initial margin requirement is 5% (i.e. a leverage of 1:20). The margin used for your position is calculated as follows: (10,000*1.1175)/20 + 10,000*0.0002= $560.75

In addition, you open a position of 100 units of the Apple CFD at 107.70. Assume that the initial margin requirement is 5% (i.e. a leverage of 1:20). So the initial margin used for this position is calculated as follows: (100*107.7)/20 + 100*0.07 = $545.50.

Therefore, the total used margin that you see in your account with us is $560.75 + $545.50=$1106.25.

6. Factors Considered

The Company takes into consideration the following factors when determining the maximum allowed leverage:

a) 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;
b) the risk appetite and risk management of the Company;
c) the capital base and financial strength of the Company, as calculated and monitored based on the Company's capital adequacy;
d) asset class: based on the instrument specifics, leverage on CFDs can go up to 1:30.
e) Classification of Client (i.e. whether retail, professional or eligible counterparty)

7. Applicable Leverage

Leverage limits
The amount of available leverage depends, inter alia, on the results of the assessment of appropriateness of the Client.

The Company offers different categories of margin requirements depending on the particular asset in order for the Client to manage the exposure of the account in a more efficient way during volatile markets. The main idea is to protect the Clients' accounts by requiring lower margin requirements for less volatile instruments and higher margin requirements for higher volatile instruments. This concept is illustrated below.

CFDs relate to underlying asset classes and financial instruments. We set out here below the class together with the maximum leverage levels we make available through our trading platforms:

Margin collected at opening transactions referred to financial instruments listed in					
(Values expressed as % of the nominal value of open positions)					
	FX (majors)	FX (non-majors) Indices (major)	Gold	Other metals Indices (non-major)	Shares
Retail investors	3.33%	5.00%	5.00%	10.00%	20.00%

Maximum leverage at opening transactions referred to financial instruments listed in					
(Values expressed as maximum leverage granted per category)					
	FX (majors)	FX (non-majors) Indices (major)	Gold	Other metals Indices (non-major)	Shares
Retail Investors	30:1	20:1	20:1	10:1	5:1

FX (majors): currency pairs composed of any two (2) of the following: USD, EUR, JPY, GBP, CAD and CHF;

FX (non-majors): all other currencies;

Indices (major): currency pairs with one of the following: FTSE 100, CAC 40, DAX 30, DJIA, S&P 500, NASDAQ, NASDAQ 100, NIKKEI 225, ASX 200, EURO STOXX 50;

Gold: currency pairs composed with one of the following: XAU, Gold;

Other metals: currency pairs composed with one of the following: XPT, XAG;

Indices (non-major): all other indices.

Comments:
a. Leverage is applied on an asset class basis or on any other basis or per financial instrument as we may determine at our discretion. Subject to change with or without notice to reflect market conditions. The applicable leverage ratios at any point in time can be found on the official Company's website.
b. The maximum leverage as provided in ESMA Intervention Measures: leverage is limited on the opening of a position between 30:1 and 2:1, which vary according to the volatility of the underlying asset:

- 30:1 for major currency pairs;
- 20:1 for non-major currency pairs, gold and major equity indices;
- 10:1 for commodities other than gold and non-major equity indices;
- 5:1 for individual equities and any underlying not otherwise mentioned;
- 2:1 for cryptocurrencies;

c. ESMA prescribes a minimum default leverage ratio of maximum 1:30 for major currency pairs and of maximum 1:20 for non-major currency pairs. We reserve the right to reduce leverage ratios for CFDs in financial instruments that maybe the subject of actual or anticipated corporate actions, with or without notice to you, in order to address likely market and financial instrument volatility. Where possible we will give you up to 8 business days' notice of such change so as to enable you to take the action you consider appropriate.

Note that certain jurisdictions apply a cap on leverage ratios irrespective of any retail client categorization into experienced or less experienced. In accordance with CySEC's Circular C210, when retail investors residing in Spain trade with a leverage ratio greater than 1:10, the Company is required to expressly warn the investors about the risk and complexity of such products.

* For Professional Clients the maximum leverage is 1:500.

For more information about client categorization please visit here:
https://www.instaforex.eu/legal_documentation.

8. Margin Call Policy

Pursuant to ESMA's measures the Company shall impose a margin close out rule per account basis at 50% of the total initial margin.

We advise you that it's your sole responsibility to monitor the margin level of your positions in real-time via your trading platform.

The 50% margin level is the minimum margin you need to maintain for an open position. We reserve the right to change this minimum margin level at our discretion in anticipation of evolving market conditions.

Should your equity fall below the minimum margin level of 50%, then we reserve the right to liquidate all or a part of your open trades and close any open positions at our discretion, until your account equity rises above the 50% margin level. We will liquidate positions starting from the position with the highest loss or the last order placed.

You should take into account that when you maintain not enough surplus of funds above the minimum margin level on your trading account than in some situations, in particular in some unfavourable market conditions or due to charging you trading account with transaction costs, opening a position for a given instrument may result in its immediate liquidation of your position. It is the responsibility of the client to maintain a sufficient surplus of funds above the minimum margin level.

Please note that we do not provide advice for the trading decisions and actions you take, including with respect to the actions you may take to address the margin level requirements such as the ones we refer to above.

9. Negative Balance Protection

We offer all our clients negative balance protection, per trading account basis. This means that you will never lose more than the amounts you invested with us.

The margin stop-out mentioned in Section 5 above and margin call policy (Section 8) describe the automatic mechanism used by the Company to ensure the negative balance protection. In the unlikely event the mechanism fails, the Company shall compensate the Client with the amount of its negative balance.

10. Conflicts of Interest

The Company is required to establish, implement and maintain an effective conflict of interest policy which shall specify the procedures put in place by the Company for identifying and responsibly managing and controlling and, where necessary, disclosing the conflicts of interest arising in relation to its business. For more information, please refer to the Company's Conflicts of Interest Policy.

11. Offering CFDs in Certain Jurisdictions

CFDs are not eligible for sale in certain jurisdictions or countries. This Policy is not directed to any jurisdiction or country which is included in the Company's Banned Jurisdictions as this is defined in the investment services agreement. The Policy does not constitute an offer, invitation or solicitation to buy or sell CFDs.

12. Applicable Language

Please note that where you have been provided with a copy of this Policy other than in the English language, such Policy is provided to you for information purposes only. The English version of this Policy is the version that is always binding.