



**SM CAPITAL MARKETS**

Global Online Trading

## **SM CAPITAL MARKETS LEVERAGE POLICY**

SM CAPITAL MARKETS LTD (previously named ABC 123 (CY) LTD)  
is authorized and regulated by CySEC License (339/17)  
with its registered business Office  
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## OUTLINE

This policy aims to set out the procedures and factors followed by SM Capital Markets previously ABC 123 Ltd (hereafter the “Company”) 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.

Contracts for Differences (“CFDs”) and Foreign Exchange (“Forex”) are leveraged products. Leverage enables clients to magnify the potential profits of a trade but it also magnifies the client’s potential losses due to the fact that losses incurred are possible to be higher than the capital originally invested. For this reason, CFDs and Forex are considered to be riskier products than non-leveraged instruments. The leverage component also adds an additional level of complexity because many retail investors may face difficulties in understanding how leverage impacts the risks involved when trading CFDs or other similar leveraged products.

## FACTORS TO BE TAKEN INTO ACCOUNT PRIOR ESTABLISHING THE COMPANY’S LEVERAGE RATIO

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

- (i) The capital base and financial strength of the Company, as calculated and monitored based on the Company’s Capital Adequacy;
- (ii) The risk appetite and risk management of the Company;
- (iii) The asset class and instrument characteristics, including the liquidity and trading volume, volatility, market cap, country of issuer, general economic climate and geopolitical events;
- (iv) Clients’ assessment of appropriateness and financial knowledge.

## USE OF LEVERAGE

The Company should use the leverage for the best interest of its Clients. As such, the Company’s use of leverage should be as follows:

### 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.

### 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.

#### ASSET CLASS AND INSTRUMENT CHARACTERISTICS

Asset class and instrument characteristics are taken into account when determining the leverage ratios allowed to Clients.

#### CLIENTS' KYC AND FINANCIAL KNOWLEDGE

The Company takes into account the clients' knowledge and experience prior allowing a client to use leverage. More specifically all clients as a default receive the lower leverage limit which is **1:50**.

In case the clients wish to obtain higher level of leverage they should follow the below steps:

1. Complete and submit to the Company the form included in Appendix 1 of this Policy;
2. In order for the clients to be able to avail a higher leverage limit the scoring they have achieved in the appropriateness test of the Company must be such to classify them as "Advanced" or "Expert";
3. If the clients' classification in accordance with their appropriateness scoring is not "Advanced" or "Expert", then and only if considerable time has lapsed since they have been trading with the default leverage, they will be given the chance to retake the appropriateness scoring and only if they will be classified as "Advanced" or "Expert" they will be allowed to trade with a higher level of leverage;
4. The Company may not grant leverage more than 1:100, even if the clients requesting it have been classified as "Advanced" or "Expert"

#### 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 accounts due to stop out and/or extremely volatile market conditions, will make a relevant adjustment to cover the full negative amount.

#### CLIENT GROUPS

The Company may allow different leverage ratios to different client groups, in particular to different groups of retail clients (country, economic profile,

financial instruments), to identify behaviors that may not be in the best interests of retail clients. Furthermore, in case the Company identifies such behaviors, it might change the allowed leverage ratio to these group of clients in order to be for their best interest.

# Leverage Change Request

## How to request a change of Leverage

This form is used to change the leverage on your trading account(s) with SM Capital Markets. To change the leverage on your trading account(s) with SM Capital Markets Ltd simply print out this form and send it back to us via email [rt@smcapitalmarkets.com](mailto:rt@smcapitalmarkets.com); [backoffice@smcapitalmarkets.com](mailto:backoffice@smcapitalmarkets.com).

## Your Details

First Name: \_\_\_\_\_

Last Name: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

## Trading Account Details

Please specify the account that you wish to request a change of leverage on.

Account Number: \_\_\_\_\_

Account Currency: \_\_\_\_\_

Current Leverage:  :

Requested Leverage:  :

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

CFDs and Forex instruments are leveraged products. Trading in leveraged products involves high level of risk and may not be suitable for all investors. Trading such products is risky and you may lose all your invested capital. The high degree of leverage can work against you as well as in your favor. Before opening a trading account, make sure you are fully aware of your financial knowledge and abilities, your analytical and practical trading skills.

**RISK WARNING:** Trading in CFDs and FX Contracts carries high degree of risk and may not be suitable for all investors. You may sustain a loss of all of your invested capital, therefore, you should not speculate with capital that you cannot afford to lose. You should be aware of all the risks associated with trading on margin.