LEVERAGE POLICY

1. Regulatory Obligation

1.1. VPR Safe Financial Group Limited herein "the Company" has a duty to act honestly, fairly, professionally and in the best interest of the Company's Clients.

In relation to the Leverage Ratios and Margin Level, the Company is required:

a) to set leverage ratios that reflect Clients 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 act in the Client's Best Interest and treat Clients fairly;

c) to have in place policies, procedures and practices to manage the Company's market risk deriving from such leverage and margin trading by Clients based on the Company's own risk management appetite and risk baring capacity;

d) to apply regulatory requirements and caps as set by applicable Laws and Regulations or any other regulator in any jurisdiction the Company offers its services to.

e) to inform Clients that trading CFDs and FX Contracts are highly speculative, involve a significant risk of loss and it is not suitable for all investors but only for those Clients who: understand and are willing to assume the economic, legal and other risks involved, are experienced and knowledgeable about trading in derivatives and in underlying asset types, are financially able to assume losses significantly in excess of margin or deposits because investors may lose the total value of the contract not just the margin or the deposit.

To notify Clients that CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. According to ESMA, 74%-89% of retail investors lose their funds when trading CFDs.
Clients are urged to consider whether they understand how CFDs work and whether they can afford to take the high risk of losing their funds.

As per the Company's clientele, 60% of the Company's retail investor accounts lose their funds when trading CFDs.

2. Legal and Regulatory Framework

2.1. This Policy is issued pursuant to, and in compliance with the requirements of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/ EC and Directive 2011/61/EU ("MiFID II") and the Law of the Republic of Cyprus No 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the

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operation of regulated markets which transposed MiFID II into Cyprus legislation, and the Investment Services and Activities and Regulated Markets Law of the Republic of Cyprus Law No 144(I)/2007 to the extent it remains applicable after coming into force of MiFID II.

2.2. Furthermore, this Policy complies with Circular 168 of CySEC issued pursuant to the Questions and Answers Document of the European Securities and Markets Authority ("ESMA") issued on 11 October 2016 with reference ESMA/2016/1454 with respect to the provision of CFDs and other speculative products to retail investors.

2.3. In this Policy, the Company collectively refers to all the above legislations, regulations and guidelines as "Regulations".

3. *Leverage Ratios and Appropriateness Test Scores*

3.1. Retail Clients

For retail clients, as per applicable Laws and Regulations the leverage limit offered cannot exceed a default leverage of 1:30. The leverage is specified as a ratio such as 1:2, 1:5, 1:10, 1:20 and 1:30.

Retail client - is any natural or legal person to whom the Company provides investment and/or ancillary services too. A Retail client is a client who is not a Professional Client or an eligible counterparty. Further information can be found in the Company's Client Categorisation Policy.

Clients classified as Retail, will be permitted to trade in CFDs with Leverage Ratios of the specific CFD category with a maximum default leverage of 1:30.

3.2. Professional Clients and Eligible Counter Parties

Professional Clients, whether Per Se or Elective, are able to trade with higher leverage.

Professional Client - is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. In order to be considered a Professional Client. Further information can be found in the Company's Client Categorisation Policy.

Clients classified as Professional are eligible to have access to certain Leverage Ratios of 1:100, 1:200 and 1:300 upon Company's discretion, the scoring of the Client's Appropriateness test, knowledge and as per applicable Laws and Regulations.

3.3. Appropriateness Test Results and Leverage Ratios

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a) Clients who score less than 75 points on the Appropriateness Tess will automatically be classified as Retail Clients, will be permitted to trade in CFDs with Leverage Ratios of the specific CFD category with a maximum default leverage of 1:30.

b) **New Clients** that opened their account with less than 3 months of the establishment date of their account that have been classified as Professional Clients will be permitted to trade with a maximum leverage of 1:200.

c) **Current Clients** that established their account for 3 months and over, that have been classified as Professional Clients will be permitted to trade with a maximum leverage of 1:300

*Professional clients from Malta and Poland are restricted to a maximum of 1:100 leverage ratio according to their local regulation.

4. Leverage Specifications

4.1. CFDs relate to underlying asset classes and financial instruments.

Asset Class	Examples of financial instruments in the specific asset class	Leverage Ratios*	
		Retail Clients	**Professional Clients**
Foreign Exchange ("FX") Major Pairs	EUR/USD, GBP/USD, USD/CHF	Up to 1:30	Up to 1:300
Foreign Exchange ("FX") Minor Pairs and Exotics	AUD/CAD, USD/SEK, NZD/CHF	Up to 1:20	Up to 1:300
Cryptocurrencies	Bitcoin, Litecoin; Dash, Ethereum	Up to 1:2	Up to 1:5
Commodities (Gold)	XAUUSD, XAUEUR	Up to 1:20	Up to 1:75
Major Indices	SP500, CAC40, DAX30	Up to 1:20	Up to 1:75
Commodities other than Gold	CL, BRNT, NGAS	Up to 1:10	Up to 1:75
Non-Major Indices	SPMIB	Up to 1:10	Up to 1:75
Bonds	T-NOTE 10Y, EBUND	Up to 1:10	Up to 1:150
Shares (US and EU)	Facebook, Amazon, Adidas, Alstom	Up to 1:5	Up to 1:30

* Applicable as at the date of this Policy.

Leverage ratios are implemented as per asset class and or as per financial instrument as the Company may determine at its discretion and such ratios are subject to change with or without notice to reflect market conditions. The applicable leverage ratios per instrument can be found at: https://www.alvexo.com/accounts

The Company reserves 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 Clients, in order to address likely market and financial instrument volatility.

The Company reserves 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 Clients, in order to address likely market and financial instrument volatility. Where possible the Company will give Clients Two (2) business days' notice of such change so as to enable Clients to take the action the Client consider appropriate.

5. *Leverage Trading and Margin*

5.1. Trading on leveraged capital means that Clients can trade amounts significantly higher than the funds the Client invests, which only serves as the margin. High leverage can significantly increase the potential return, but it can also significantly increase potential losses. The leverage is variable as a ratio. This means that Clients, can trade with amounts many times higher than they could invest in a particular CFD without the margin the Company provides.

Sometimes the Leverage is expressed in percentage terms – and referred to as Margin requirement. For example, a leverage of 1:30 is a margin requirement of 3.34%.

Example:

If the leverage is 1:30 and if the Client has $1,000 in their trading account, it means that the Client can now open trades worth $30,000.

5.2. What is a Spread?

The spread is the difference between the Ask price (buying price) and the Bid price (selling price) of the CFD.

5.3. What is Margin?

The Margin refers to the amount Clients are required to have at the time of opening a position as a collateral in order to open a CFD position. The Margin may be used interchangeably as Used Margin/Initial Margin/Margin Requirements in the Company's Electronic Trading Platform and/or Company's legal documentations. The Margin per one open position is derived from the following formulas:

- For FX Instruments (Calculated for symbol's base currency): $\frac{Lot\ Size * \ Contract\ Size}{Leverage/(\frac{Margin\ Percentage}{100})})$
- For Other Instruments (Calculated for the symbol's margin currency): $\frac{Lot\ Size * \ Contract\ Size * \text{Open market price}}{Leverage/(\frac{Margin\ Percentage}{100})}$

Examples:

FX Instruments Example:

The Client intends to buy 1 lot of EUR/NZD at a price of 1.71880.

The margin for the position is calculated as:

Lot Size = 1

Contract Size = 100,000

Leverage = 50

Margin Percentage = 250%

Base Symbol = EUR

Margin = (1 *100,000)/(50/(250/100)) = 5,000 EUR

Other Instruments Example:

The Client intends to buy 2 lots of Coffee at a price of 109.12.

The margin for the position is calculated as:

Lot Size = 2

Contract Size = 375

Leverage = 50

Margin Percentage = 500%

Margin Currency = Dollar

Margin = (2 *375*109.12)/(50/(500/100)) = 8,184.00 Dollar

Client's Trading Platform Margin Example:

Client's Account Margin Currency = EUR

EUR/USD Spot Rate (at the time of Coffee position was opened) = 1.17000

EUR/NZD Margin = 5,000 EUR

Coffee Margin = 8,184.00/1.17000 = 6,994.87EUR

Margin = 5,000 + 9,575.28 = 11,994.87 EUR

The Company reserves the right to modify the Margin requirements applicable to any new (but not existing) positions of its Clients for the purpose, inter alia, of preventing abusive trading and managing our market exposure in the following circumstances:

- The Company may change the Margin requirements applicable to any positions opened less than 1 (one) hour before the closing of the market of the underlying Financial Instrument (or other instrument) of the CFDs;
- The Company may change the Margin requirements applicable to any positions opened less than 1 (one) hour after the opening of the market of the underlying Financial Instrument (or other instrument) of the CFDs;
- The Company may change the Margin requirements applicable to any positions opened less than 1 (one) before and after any schedule earnings reports or announcements by the issuers of the underlying Financial Instrument (or other instrument) of the CFDs;
- Where changes in Margin are necessary to control the Company's total market exposure.

Notwithstanding the above, the Company reserves the right to alter the timeframes for Margin changes stipulated above in the event of unforeseen changes in the market conditions or where it is otherwise necessary to prevent abusive or manipulative trading. Clients are advised to monitor their Electronic Trading Platforms and the Company's Website for up-to-date information regarding the Margin requirements.

5.4. What is equity?

Equity can be defined as the value of the Clients' portfolio with the Company. It is the value of Clients funds with the Company which at any point in time include realized profits and losses plus the unrealized profit and loss based on the Clients latest quoted valuation.

5.5. Margin Level

The Margin Level indicates how close the Client's account is to a margin call. The Margin Level is calculated as (Equity Margin)* 100 and is shown in "%". When the margin level decreases, the Client's account bears an increased risk of liquidation. This is referred to as Close Out (stop out) Level. Clients are advised that they should monitor this margin level at all times. Whilst the Company may from time to time send notifications to Clients regarding their Margin Level reaching certain thresholds, Clients are

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reminded that under the Company's Terms & Conditions it is the Client's responsibility to monitor at all times the margin level and take relevant actions.

The Company and/or any of its representatives does not provide advice for the trading decisions and actions Clients take, including with respect to the actions Clients may take to address the Margin Level requirements.

5.5.1. What is Free Margin?

Free Margin is the sum of funds Clients have available to use as initial margin for new positions. This is calculated by subtracting the margin used for Clients' current open positions from their Equity.

5.5.2. Margin Level?

A margin level is calculated by dividing the current Equity and the Used Margin. Margin level %= (Equity / Used Margin) * 100
The margin requirement is specific for each asset class/instrument and can be found here and on the Company's website.

The Company reserves the right to change at its sole discretion the margin requirements without prior notification to Clients, based on actual or expected (in the Company's opinion) market volatility or the Company's view of market conditions in general.

Example:
If Client's Equity is: $1,000
If the Client wishes to open a Buy position of $10,000 vs. CHF
Margin requirement: If for the USD/CHF pair, the margin requirement is 3.33% which equals $333.

5.6. Margin Call

The Company hereby notices Clients that it is each Client's sole responsibility to monitor the margin level of their positions in real-time via the Clients' web trading platform or their mobile/tablet app.

In the event that Clients' margin level drops to or below 75% the Client will not be able to open any new positions. In the event that Clients' Equity falls below 50% for Retail clients and 15% for Professional Clients of the Used Margin of the Clients' account, the Company will send Clients an email and/or SMS notification as an early warning of the performance of the Clients' open positions. As this is an additional service from the Company to the Client and does not create any obligation or responsibility on the Company, for either the performance of Clients' trading account, or for notifying the Client of the current margin level and the action the Client may wish to take. The Company urges the Clients to monitor their account at all given times.

The minimum margin level Clients need to maintain for their open position(s) is 50% margin level for Retail clients and 15% for Professional Clients.

Should Clients' margin level fall below the minimum of 50% for Retail Clients and 15% for Professional Clients, the Company reserves the right to liquidate all or a part of Clients' open trades and close any open positions at the Company's discretion, until the Clients' account margin level rises above the 50% for Retail Clients and 15% for Professional Clients. The Company will liquidate positions starting from the position with the highest loss.

The Company does not provide advice for the trading decisions and actions the Client may take, including with respect to the actions they may take to address the Margin Level requirements such as the ones referred to on the Company's website.

6. *Negative Balance Protection*

The Company offers all Clients a "Negative Balance Protection". This means that Clients will never lose more than the amounts they invested with the Company.

7. *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 Company's Terms and Conditions. The Policy does not constitute an offer, invitation or solicitation to buy or sell CFDs.

8. *Review of the Policy*

The Policy is reviewed by the Compliance Function on a regular basis and at least once a year.

The Company will update the Policy whenever necessary. Updates may occur in case of:

- changes in legislation;
- changes in the Company's business operations, including the implementation of new systems;
- organisational changes within the Company;
- new internal rules, procedures or policies within the Company;
- emergence of new risks;
- changes in technologies.

The above list is non exhaustive.