

Leverage Policy

1. Outline

BrightFX Capital Ltd (the “Company”, or “BrightFX”) has established a leverage policy (hereinafter, the “Policy”) which applies to all its retail customers. The purpose of this Policy is to set out the leverage practices of the Company in order to increase investor protection.

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.

2. 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 Company’s duty to act honestly, fairly, professionally and in the best interests of its clients when dealing with them;
- (ii) The capital base and financial strength of the Company, as calculated and monitored based on the Company’s Capital Adequacy;
- (iii) The risk appetite and risk management of the Company;
- (iv) The asset class and instrument characteristics, including the liquidity and trading volume, volatility, market cap, country of issuer, general economic climate and geopolitical events;

(v) Clients' assessment of appropriateness and financial knowledge.

(vi) Regulatory requirements and caps as set by CySEC, ESMA or any other regulator in any jurisdiction we offer our services to;

3. 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:

a. **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.

b. **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.

c. **Asset class and instrument characteristics**

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

d. **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 retail clients as a default receive the default leverage limit which is **set as follows:**

Default Leverage:

- 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;

Specific information on the instruments falling under each leverage group above is available on [the trading conditions page](#) on our website.

e. 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.

f. Client Leverage Options

Lower than the default leverage under point d. of the present policy will be offered to clients upon request. Furthermore, the Company may at its own discretion decrease the leverage offered to a specific client taking into consideration the particular client trading experience, knowledge, underlying performance fundamentals of the financial instrument on which the CFD is based, the client trading behavior and the company's ability to hedge market risk.

g. Margin Close-Out Protection

The Company applies a margin close-out protection rule to all of its Clients' trading accounts, ensuring that their margin is not eroded to a point where it is close to zero. The margin close-out protection will be triggered when the total margin in a Client's account falls below 50%. The rule will not prevent investors from choosing to 'top up' their margin if they wish to do so.

When the total margin in a Client's trading account falls below this 50% threshold, the Company will close one or more of the Client's open trading positions – starting with the one that is making the biggest loss.