



NAGA CAPITAL LTD

LEVERAGE AND MARGIN POLICY

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1. Introduction

NAGA Capital Ltd (the “Company”) is authorized and regulated by the Financial Services Authority (“FSA”) under license number SD026. The Company’s registered office is at Suite 3, Jivan’s Complex, Global Village, Mont Fleuri, Mahe, Seychelles. The website www.nagacap.com and www.naga.com is operated by NAGA Capital Ltd.

Contract for Differences (CFDs) shall mean a contract between two parties, typically described as “buyer” and “seller”, stipulating that the seller will pay to the buyer the difference between the current value of the underlying asset and its value at contract time (if the difference is negative, then the buyer pays instead to the seller).

2. Scope

This Leverage and Margin Policy (the “Policy”) sets out how we set leverage and margin levels and procedures when you trade in Contracts of Difference (“CFDs”) with us.

The purpose of this Policy is to explain the key aspects of leverage trading with margin and what leverage levels we make available depending on your knowledge, experience, and regulatory requirements. It also outlines the impact on your margin and account where negative market movements occur.

3. Applicability

This Policy applies to the Company’s execution of orders on behalf of clients according to the FSA’s Regulations and Laws.

4. Commitment

Treating clients fairly is vital to our corporate culture, 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 apply regulatory requirements as set by FSA.
- b. 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.



- c. to have regard to our duty to treat you fairly by avoiding aggressive leverage practices towards you.
- d. to have regard to the underlying performance fundamentals of the financial instrument on which the CFD is based, including historic volatility, depth of market (liquidity and trading volumes), market capitalization of the issuer and country of the 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.
- e. 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.

5. Leverage ratios for different asset classes and financial instruments and client categorization

Clients will have the option to trade with higher leverage on specific assets.

Note that certain jurisdictions may apply a cap on leverage ratios irrespective of the Company's client categorization.

The applicable leverage ratios at any point in time can be found [here](#) and these are subject to change with or without notice to reflect market conditions.

We reserve the right to reduce leverage ratios for CFDs in financial instruments that may be the subject of actual or anticipated corporate actions, with or without notice to you, to address likely market and financial instrument volatility..

6. Key terms - leverage trading and margin

6.1. 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. Please see below an explanation on our



“Negative Balance Protection” where we guarantee that you cannot lose more funds than what you have invested.

The leverage is specified as a ratio, such as 1:10, 1:50, 1:100, 1:200 or 1:300. This means that you, as our client, can open a trading position using a small amount of capital to take a much larger position in the market.

Sometimes the Leverage is expressed in percentage terms – and referred to as Margin requirement. For example, a leverage of 1:100 is a margin requirement of 1%.

Example: If the leverage is 1:200 and if you as our client have \$1,000 in your account, it means that you can now open trades worth \$200,000.

6.2. What is a 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.

6.3. Margin Requirements

Clients must always maintain the Minimum Margin Requirement on their Open Positions.

The Company has the right to liquidate any or all Open Positions whenever the Minimum Margin Requirement is not maintained.

Margin requirements are subject to change at any time. To prevent any confusion, the Company, at its best effort, will inform clients about any projected changes on Margin Requirements by email and via the messaging system of the trading platform at least a week before changes is implemented.

6.4. Margin Requirement Levels

Margin requirements are calculated by dividing the true dollar value of a position by the maximum leverage allowed for that trading instrument.

Example A:

35,000 EUR/USD position at 1.4000

$35,000 \times 1.4000 \text{ (dollar value of 1 Euro)} / 300 \text{ (maximum leverage)} = \163.33



Example B:

What is the margin requirement of 1,400,000 USD/JPY position?

Answer:

1,400,000 has a 0.5% margin requirement (200:1 leverage) which equals: \$7,000

6.5. Stop Out level / Margin Close Out

A stop out level is a specific point at which all a trader's active positions will be closed automatically at market prices, because of a decrease in their margin levels, meaning that they can no longer support the open positions.

The Company shall have the right, but not the obligation, to start closing Client's open positions starting from the most unprofitable, when the Margin is less than 100% of the Margin requirement. In the case where the Margin is equal to or less than 50% of the Margin requirement, then Client's positions shall be automatically closed, starting from the most unprofitable, at the prevailing market price.

Margin or leverage Level may be set and varied without prior notice from time to time in the Company's sole and absolute discretion in order to cover any realised or unrealised losses arising from or in connection with transactions, including subsequent variation of any Margin rates set at the time transactions are opened. The Client can request to change his account leverage at any time by contacting the Company.

The Company reserves the right, at its sole discretion, to reduce and/or change the leverage level of any client of the Company in the event that the total amount of the client's deposits are above USD 30,000 (Thirty Thousand Dollars) for risk management and regulatory purposes, without the client's prior consent or written notice. The Client may be informed about the aforementioned reduction and/or change after the Company's actions.

On every Friday and between the hours of 21:00 till 24:00 (GMT+3) and occasionally before the release of major economic news, the Company may maintain a maximum leverage on remaining instruments other than FX for any new positions opened during such period which such requirement, if any, will be disclosed in the Company's website.

Margin Calls

If the value of your equity falls below 100% of the Used Margin, then the trading account is on Margin Call. When your trading account is on Margin Call, that means that you will be able to maintain the existing positions, but you will not be able to open new ones. If the value of your Equity falls below 100% of the Used Margin, we will send you a notification on NAGA Trader.



Clients are advised to log into their trading platform on a regular basis to ensure they monitor their margin level of their positions. Please note that this is an additional service from us to you and does not create any obligation or responsibility on us, for either the performance of your trading account, or for notifying you of the current margin level and the action that you may wish to take. Please monitor the performance of your positions on an ongoing basis. Once an account reaches a Margin Call warning level, it is possible that the margin level could increase above 100%. Should this happen the Margin Call process will reset. If the Margin Call Warning levels are reached again, the Margin Call process will start again. Closure of positions will be done based on best execution prices available on nagacap.com/naga.com at that time.

We reserve the right, acting reasonably, to change at our discretion and with or without prior notice to you, the minimum Margin / Close Out level, in anticipation of evolving market conditions. We do not have any obligation and we will not be notifying you of the execution of the Close.

Clients are responsible for placing their own Stop Loss Orders to minimize losses. In addition, NAGA may, from time to time and at our best effort, contact Customer and request that Customer deposit additional Collateral to secure Customer's obligations to NAGA. Any call for additional margin shall not be deemed precedent for future calls nor future waiver of liquidation rights by NAGA.

7. Negative balance protection

We offer all our clients Negative Balance Protection. This means that our clients will never lose more than the amounts you invested with us.

8. Conflicts of interest

In line with our culture and policy of treating clients fairly, we hereby remind you that we may be the counterparty to your trade. This means that when your Initial Margin reduces, in those cases where we may be the sole counterparty to your trade, then any losses that you incur may reflect profits for our account. Correspondingly, if you register profits for your trades, in such cases we incur losses.

9. 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 where such sales are restricted or prohibited. The Policy does not constitute an offer, invitation or solicitation to buy or sell CFDs.



10. 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 binding on NAGA Capital Ltd at all times.