

ETX CAPITAL

Summary of the European Securities and Market Authority's upcoming changes

SUMMARY OF ESMA'S CHANGES

ESMA's product intervention measures in relation to CFDs and binary options offered to traders classified as 'retail'.

- ✓ Spread betting and CFD leverage limited to a maximum of 30x for major currency pairs and less for other assets.
- ✓ Margin close out rule on a per account basis – positions will be automatically closed if margin falls below 50% of the amount required to cover open positions.
- ✓ Negative balance protection on a per account basis, providing an overall guaranteed limit on losses.
- ✓ A ban on the use of trading bonuses and rebates.
- ✓ A ban on Binary Options.

50% CLOSE-OUT RULE

What is a margin close-out (MCO) rule?

- ✓ The margin close-out rule standardizes the percentage of the margin at which a trading provider is required to close out a CFD or multiple CFDs.
- ✓ The aim of this standardization across brokers is to help traders understand what will happen to their investments if they experience adverse price movements.
- ✓ The MCO has been set at 50% to ensure that traders' margin is not eroded close to zero. This is in line with examples of good practice in the industry to date. The rule will not prevent traders from choosing to 'top up' their margin if they wish to do so.

How this rule affects you

TraderPro Account

- ✓ We will endeavour to send you a notification if your account equity drops below 100%.
- ✓ As soon as your account equity drops to 50% of the minimum required margin, under the new rules, we will immediately reduce or close your positions until your account equity reaches a minimum of 100% again.
- ✓ Any open positions from 26th May became subject to the new margin close-out rules.

MT4 Account

- ✓ When your account equity falls below 100% of the minimum required margin for your open position(s), you are at risk of being closed out.
- ✓ Once your equity falls below 50%, your positions are reduced to bring your account equity back over 50%.
- ✓ Any open positions from 26th May became subject to the new margin close-out rules.

Example scenario under the new 50% close out rule

You have £1,000 in your account and you open a UK 100 position that requires £500 margin. If that position runs a loss of £750, you will have £250 equity remaining after the running loss, which is 50% of the £500 margin required to cover the open position. In this scenario, under the new rules, we will need to reduce or close this position until your account equity reaches 100% of the £500 margin required to cover the open position.

BINARY OPTIONS

We have taken the decision to cease offering Binary Options products. We will be implementing this change from 10pm on 29th June, so you will no longer be able to trade Binaries with ETX from this date.

What will happen to my ETX Binary account?

Binary Account only account holder with/without cash balance.

- ✓ We will open a new TraderPro Account for you. In case you have a cash balance on your ETX Binary account, we will automatically transfer your balance there on 30th June.
- ✓ Your log-in details will remain the same and the next time you log in after 30th June you will be taken directly to your new TraderPro account where you can access your funds and continue trading with ETX.

Binary and TraderPro account holder with/without cash balance.

- ✓ If you have a cash balance on your ETX Binary account, we will automatically transfer your balance to your existing TraderPro account, which will become your primary ETX account from 30th June.
- ✓ Simply log in to your TraderPro account where you will be able to access your funds and continue trading with ETX.

Binary and MT4 account holder with/without cash balance.

- ✓ If you have a cash balance on your ETX Binary account, we will automatically transfer your balance to your existing MT4 account, which will become your primary ETX account from 30th June.
- ✓ Simply log in to your MT4 account where you will be able to access your funds and continue trading with ETX.
- ✓ ESMA's product intervention measures in relation to CFDs and binary options offered to retail investors.

LEVERAGE / MARGIN CHANGES

How will these changes affect my trades if I remain a retail client?

- ✓ The confirmed leverage cuts will restrict FX pairs to a maximum of 30:1 leverage
- ✓ and major indices to a maximum of 20:1 leverage.
- ✓ You will need to deposit extra funds, or margin, in order to trade the same stake sizes. For example, if you trade major indices like the Germany 30 or Wall Street, you will be required to have ten times your current margin in order to place the same trade.
- ✓ We will be implementing these changes at ETX on 28th July 2018, see the table below for more information.

Product	Maximum leverage		Extra margin required for retail clients
	Professional clients	Retail clients	
Major FX pairs	200:1	30:1	7x
Major Indices	200:1	20:1	10x
Gold	200:1	20:1	10x
Commodities	100:1	10:1	10x
Equities	20:1	5:1	4x
Cryptocurrencies	5:1	2:1	2.5x
Bonds/ Interest rates	400:1	5:1	80x

BECOMING A PROFESSIONAL TRADER

Being classified as a Professional trader means that the ESMA restrictions highlighted above will not be applicable. Please note you will need to meet two of the three criteria listed below to qualify to be a Professional Trader:

- ✓ Over €500k of liquid assets, excluding your house of residence if you own it.
- ✓ Relevant experience in financial services.

- ✓ Traded at least 10 times in each of the last 4 quarters.

If you are interested in finding out more about becoming a Professional trader, please contact us on the email provided in the section below.

HOW TO CONTACT US

If you have any questions regarding the ESMA changes, we are here to help, please contact our Customer Service team by:

Email

customer.service@etxcapital.com

Phone

Freephone - 0800 138 4582

International - +44 (0) 20 7392 1400

Opening times - Monday – Friday, 7:30am - 9:00pm (London time)

Post

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