

## **Leverate Prime**

### **Leverage Policy**

#### **A. Introduction**

The purpose of this leverage policy is to outline the guidelines and principles governing the use of leverage by the Leverate Prime (“the investment dealer”). Leverage refers to the practice of utilizing borrowed funds to increase the potential return on investment. This policy aims to establish risk management practices that ensure responsible and prudent use of leverage while maintaining the financial stability and integrity of the investment dealer.

#### **B. Objectives**

- a. To maximize potential returns on investment while considering the associated risks.
- b. To ensure compliance with applicable laws, regulations, and industry standards.
- c. To establish risk management practices that mitigate excessive risk exposure.
- d. To maintain adequate liquidity and capital reserves to withstand market fluctuations.

#### **C. Leverage Limits**

- a. The investment dealer shall establish leverage limits based on a comprehensive assessment of its risk appetite, capital adequacy, and market conditions.
- b. Leverage limits should consider factors such as product complexity, liquidity, and the client's risk profile.
- c. The investment dealer should set both quantitative and qualitative limits on leverage, including exposure limits for individual transactions, client portfolios, and the overall firm's balance sheet.

#### **D. Risk Management Practices**

- a. The investment dealer shall employ robust risk management systems and controls to monitor, measure, and manage leverage risks.
- b. Regular stress tests and scenario analysis should be conducted to assess the potential impact of adverse market conditions on leverage positions.
- c. Clear risk escalation procedures should be established to address any breaches or potential breaches of leverage limits.
- d. The investment dealer should maintain appropriate internal reporting mechanisms to ensure senior management oversight of leverage-related activities.

#### **E. Client Suitability and Disclosure**

- a. The investment dealer shall ensure that leverage is only provided to clients who have been appropriately assessed for their risk tolerance, investment knowledge, and financial capacity.
- b. Clients must be provided with clear and accurate disclosure of the risks associated with leverage, including the potential for losses exceeding the initial investment.
- c. The investment dealer should maintain adequate records and documentation of client suitability assessments and ensure ongoing monitoring of client positions.

#### **F. Capital and Liquidity Management**

- a. The investment dealer shall maintain sufficient capital and liquidity buffers to support its leverage positions and absorb potential losses.
- b. Adequate stress testing and capital adequacy assessments should be conducted to determine the level of capital required to support leverage activities.
- c. Regular monitoring of liquidity and funding sources should be undertaken to ensure the investment dealer can meet its financial obligations.

#### **G. Compliance and Governance**

- a. The investment dealer shall establish a robust compliance framework to ensure adherence to applicable laws, regulations, and internal policies relating to leverage.
- b. Compliance monitoring and independent audits should be conducted to verify compliance with the leverage policy and identify any areas for improvement.
- c. Senior management and the board of directors should provide oversight and ensure the effective implementation of the leverage policy.

#### **H. Review and Revision**

- a. The leverage policy should be reviewed periodically to assess its effectiveness and relevance in light of changing market conditions, regulatory requirements, and industry best practices.
- b. Any necessary revisions or updates to the policy should be made promptly and communicated to all relevant stakeholders.

This leverage policy is intended as a general guideline and should be tailored to the specific needs and circumstances of the investment dealer. It is important to seek legal and regulatory advice when developing and implementing such policies to ensure compliance with applicable laws and regulations.