



Last updated on : March 9, 2022

Effective Date: March 9th, 2022

CXM DIRECT – NEGATIVE BALANCE PROTECTION POLICY 2022

Negative balance protection means that any trading losses cannot exceed the funds on your account and thereby giving you, the customer, greater protection. Therefore, whilst you can still lose all your account funds, you cannot exceed that loss on your account which means that, in accordance with the policy below, you will not owe money to us. Please note however that your entire capital may still be at risk.

Example: Let's say you deposited \$1,000 to your trading account and you buy an equity index with 5:1 leverage. In this case, you will have a position of \$5,000. If there is a market turbulence and the index market price drops 7%, you will suffer a 35% loss due to your leverage. This is \$1,750 loss in dollars. This loss will eat your \$1,000 deposited money and a further \$750 which you will owe to the broker. With CXM Direct, your loss can't be bigger than the deposited \$1,000.

Below is the policy by which CXM Direct shall manage and calculate the negative balance on your trading account:

- 1) This policy is only applicable to retail customers.
- 2) CXM Direct's systems incorporate the requisite safeguards to protect customers from negative balances when trading under normal market conditions. If the margin level on customer account is equal to, or drops below, 30%, CXM Direct's system automatically initiates the closing of current open positions, starting from the most unprofitable taking into account trading hours of particular instruments traded by the customer. Positions will be automatically closed at the current market price. Also, the customers can and should set personal limits for risk management purposes which can help limit losses and maximize profits.
- 3) In the event that there are certain market conditions which cause a significant "market gap" and thereby making it possible to incur a negative balance while trading, CXM Direct shall absorb the negative balance. The customer shall therefore be protected against such loss because the purpose of the negative balance protection also provides a backstop in the case of extreme market conditions. P a g e 2 | 2
- 4) The customer should always maintain the appropriate levels of margin in the trading account as the recommended method of risk management.
- 5) CXM Direct has the right to debit any other funded accounts belonging to the same owner for the negative balance amount. As an example, you have 2 trading accounts. Trading account 1 suffered a negative balance of \$1,000, while trading account 2 has a positive balance of \$5,000. CXM Direct has the right to debit trading account 2 for the full negative balance amount of \$1,000 in trading account 1.
- 6) If CXM Direct suspects or has reason to believe that a client (or clients) abused or attempted to abuse the terms of this policy by acting in bad faith, the Company reserves the right, at its sole discretion, to deny, withhold, withdraw or terminate the Negative Balance Protection and, if necessary: λ to withhold, cancel and charge any costs it deems, from that client's account(s), λ to terminate that client's access to services provided by the Company and/or terminate the contract between the Company and the client for the





provision of services, λ to block that client's Account(s) and to arrange for the transfer of any unused balance, less the offer amount, as well as any profits which the Company deems to have been gained via Abusive Behavior, to the client. Where Abusive Behavior includes but is not limited to:

Example: Acting in bad faith can be described as the intentional execution of orders with the purpose to profit by exploiting the firm's terms of execution or through software limitations. Executing large positions before a session break with the intent of profiting asymmetrically at market open is considered acting in bad faith.

