



SMART
PRIME GROUP

Terms of Business for ECN Accounts

INTRODUCTION

The phrase “money laundering” covers all procedures to conceal the origins of criminal proceeds so that they appear to originate from a legitimate source.

Smart Prime Group LTD. (“Company”) aims to detect, manage and mitigate the risks associated with money laundering and the financing of terrorism. The Company has introduced strict policy aimed on the detection, risk prevention or mitigation in respect of any suspicious activities performed by customers.

The Company is required to constantly monitor its level of exposure to the risk of money laundering and the financing of terrorism.

The Company believes that if it knows its client well and understands its instructions thoroughly, it will be better placed to assess risks and spot suspicious activities.

CUSTOMER DUE DILIGENCE

Effective Customer Due Diligence (“CDD”) measures are essential to the management of money laundering and terrorist financing risk. CDD means identifying the customer and verifying their true identity on the basis of documents, data or information both at the moment of starting a business relationship with customer and on an ongoing basis. The customer identification and verification procedures require, first, the collection of data and, second, attempts to verify that data.

During the Smart Prime Group LTD. registration process an individual customers provide the following identification information to the Company:

- Customer's full name;
- Customer's date of birth;
- Country of residence/location of customer;
- Mobile telephone number and e-mail.

During the Smart Prime Group LTD. registration process a corporate customers provide the following identification information to the Company:

- Full company name;
- Registration number and date;
- Country of registration/incorporation;
- Registered address;
- Mobile telephone number and e-mail.

After receiving the identification information the Company’s staff should verify this information requesting the appropriate documents.

Appropriate documents for verifying the identity of customer include, but are not limited to, the following:

- For an individual customer: A high resolution scanned copy or photo of pages of a passport or any other national ID, indicating family name and name(s), date and place of birth, passport number, issue and expiry dates, country of issue and Client's signature.;
- For a corporate customer: a high-resolution copy of documents showing the existence of the entity, such as Certificate of Incorporation, and, where applicable, Certificate of Change of Name, Certificate of Good Standing, Articles of incorporation, a government issued business license (if applicable), etc.

To verify proof of address of the customer the Company requires one of the following to be provided, in the same correct name of the customer:

- A high-resolution copy of a utility bill (fixed-line phone, water, electricity) issued within the last 3 months;
- A copy of a tax or rates bill from a local authority;
- A copy of a bank statement (for a current account, deposit account or credit card account);
- A copy of a bank reference letter.

When making a funds deposit or funds withdrawal via credit/debit card a customer is required to provide a scanned copy or photo of the credit/debit card (front and back side). The front side of credit/debit card should show the cardholder's full name, the expiry date and the first six and the last four digits of the card number (the rest of the digits may be covered). The copy or scan of the reverse side of credit/debit card should show the cardholder's signature, but the CVC2/CVV2 code must be masked.

If an existing customer either refuses to provide the information described above or if a customer has intentionally provided misleading information, the Company, after considering the risks involved, will consider closing any of an existing customer's account.

The Regulations measures require further research and identification of customers who may pose a potentially high risk of money laundering/terrorism financing. If the Company has assessed that the business relationship with a customer pose a high risk it will apply the following additional measures:

- Obtaining the information relating to the source of the funds or the wealth of the customer will be required (this will be done via e-mail or phone);
- Seek further information from the customer or from Company's own research and third party sources in order to clarify or update the customer's information, obtain any further or additional information, clarify the nature and purpose of the customer's transactions with Company.

When obtaining information to verify the customer's statements about source of funds or wealth, the Company's staff will most often ask for and scrutinise details of the person's employment status or business/occupation. The Company's staff will ask for whatever additional data or proof of that employment/occupation that may be deemed necessary in the situation, particularly the appropriate confirming documents (employment agreements, bank statements, letter from employer or business etc.).

The Company will conduct ongoing customer due diligence and account monitoring for all business relationships with customers. It particularly involves regularly reviewing and refreshing Company's view of what its customers are doing, the level of risk they pose, and whether anything is inconsistent with information or beliefs previously held about the customer. It can also include anything that appears to be a material change in the nature or purpose of the customer's business relationship with Company.

PAYMENTS POLICY

The Company's payments policy is governed by the Regulations for Non-Trading Operations, which is an inalienable part of Client Agreement and can be found on the "Regulatory Documents and Agreements" page located in the "Regulations" section on the Company Website.

PERSONNEL

AML Compliance Officer

The Company shall appoint an AML Compliance Officer, who will be fully responsible for the Company's AML and CFT program and report to the Board of the Company or a committee thereof any material breaches of the internal AML policy and procedures and of the Regulations, codes and standards of good practice.

Compliance Officer's responsibilities include:

- a) Ensuring the Company's compliance with the requirements of the Regulations;
- b) Establishing and maintaining internal AML program;
- c) Establishing an audit function to test its anti-money laundering and combating the financing of terrorism procedures and systems;
- d) Training employees to recognize suspicious transactions;
- e) Receiving and investigating internal suspicious activity and transaction reports from staff and making reports to the FIU where appropriate;
- f) Ensuring that proper AML records are kept;
- g) Obtaining and updating international findings concerning countries with inadequate AML systems, laws or measures.

Employees

All Company employees, managers and directors must be aware of this policy.

Employees, managers and directors who are engaged in AML related duties must be suitably vetted. This includes a criminal check done at the time of employment and monitoring during employment. Any violation of this policy or an AML program must be reported in confidence to the AML Compliance Officer, unless the violation implicates the AML Compliance Officer, in which case the employee must report the violation to the Chief Executive Officer.

Employees who work in areas that are susceptible to money laundering or financing terrorism schemes must be trained in how to comply with this policy or the AML program. This includes knowing how to be alert to money laundering and terrorism financing risks and what to do once the risks are identified.

Employee Training Programme

The Company provides AML training to employees who will be dealing with customers or will be involved in any AML checking, verification or monitoring processes. The Company may conduct its training internally or hire external third party consultants.

Each person employed within the Company is assigned a supervisor who teaches him or her in relation to all policies, procedures, customer documentation forms and requirements, forex markets, trading platforms, etc. There is a training plan for each new employee and tests which are being held for 2-3 months (depending on level within the business).

The Company's AML training programmes is aimed to ensure its employees to receive appropriate training level with regards to any possible AML/TF risks.

Content of training

The Company's AML and risk awareness training includes the following content:

- The Company's commitment to the prevention, detection and reporting of ML and TF crimes.
- Examples of ML and TF that have been detected in similar organisations, to create an awareness of the potential ML and TF risks which may be faced by the Company's employees
- Well known or recognised typologies, especially where made available by the FATF or AML Supervisors.
- The consequences of ML and TF for the Company, including potential legal liability.
- The responsibilities of the Company under the AML Act and Regulations.
- Those particular responsibilities of employees as identified in this AML Policy, and how employees are expected to follow the Company's AML procedures.
- How to identify and report unusual activity that may be a suspicious transaction or attempted transaction.
- The rules that apply against unlawful disclosure of suspicious transactions ("tipping off").

Table of Contents

1. Introductory Remarks	3
2. General Terms	3
3. Opening a Position	8
4. Closing a Position	9
5. Pending Orders	10
6. Stop Out	15
7. Principles of Working with the MetaTrader 4 Trading Platform	16
8. Communications	17
9. Procedure for Dispute Resolution	18
10. Terms and Interpretation	20

1. Introductory Remarks

1.1. These Terms of Business shall govern all actions regarding the handling and execution of Client instructions and requests on ECN accounts.

1.2. These Terms of Business define:

- a) principles of opening/closing positions and placing/modifying/deleting/executing orders;
- b) the Company's actions in respect of the Client's open positions if the Margin level on the trading account is insufficient to support such open positions;
- c) procedures of dispute resolution and methods of communication between the Client and the Company.

1.3. All the terms and conditions which govern the Client's trading transactions are described in these Terms of Business, the Client Agreement and the Risk Disclosure documents and any other applicable documents which can be found in the "Regulatory Documents and Agreements" subsection, located in the "Documentation" section on the Company Website.

1.4. In addition to this document, the Client Agreement, and the Risk Disclosure located on the Company Website, the Client should regularly consult the "FOREX", "FAQ" sections and the user guide for the Client Terminal.

2. General Terms

Quotes

2.1. The Company recalculates quotes for all trading instruments in real-times, based on market conditions and streaming prices/liquidity received from Liquidity Providers, and periodically provides the Client with these quotes as a market profile (Market Snapshots).

2.2. All quotes the Client receives through the Client Terminal are indicative and represent the best Bid and best Ask price available on the market according to Liquidity Providers.

2.3. The Client acknowledges that:

- a) the Company has the right to not provide the Client with these quotes if they have not changed since the previous Market Snapshot;
- b) the Client does not have access to all the quotes in the Client Terminal that have been in the quotes flow between Market Snapshots;
- c) the spread is not fixed and may vary depending on market conditions and streaming prices/liquidity received from Liquidity Providers.

Execution of Client Instructions

2.4. The procedure for handling Client instructions given through the Client Terminal is as follows:

a) the Client gives an instruction which is checked for validity within the Client Terminal and during which no preliminary calculation of floating loss/profit on positions takes place, and therefore nor does a calculation of the Stop Out level take place;

b) the Client Terminal sends the instruction to the Server;

c) if the connection between the Client Terminal and Server has not been disrupted, the Server receives the instruction and begins the verification process, during which no preliminary calculation of floating loss/profit on positions takes place, and therefore nor does a calculation of the Stop Out level take place;

d) a valid Client instruction is placed in a queue sorted by request or instruction arrival time and the status “Order is accepted” appears in the “Order” window of the Client Terminal;

e) as soon as the Company is ready to process a new instruction, the Company takes the first instruction from the queue and begins its processing¹ and the status in the Client Terminal changes to “Order is in process”;

f) the Company sends the server the result of the execution of the Client request or instruction;

g) the Server sends the result of the Client request or instruction to the Client Terminal;

h) if the connection between the Client Terminal and Server has not been disrupted, the Client Terminal registers the result of the Client request or instruction.

2.5. The Client has the right to cancel a given request or instruction only if the request or instruction is still in the queue and has the “Order is accepted” status. To cancel an order, the Client must click the “Cancel order” button. The Client cannot cancel a request or instruction given by an Expert Advisor.

2.6. The Client has no right to cancel a request or instruction if it is already being processed by the Company and the status is “Order is in process”.

2.7. All matters regarding the current market price are at the sole discretion of the Company.

2.8. Client requests or instructions have a maximum standby time in the processing queue (3 minutes at the release of these Terms of Business). If the request or instruction has not been received by the Company within this time, it is deemed to be irrelevant and is automatically deleted from the queue. Once an instruction is received by the Company, the Company processes it as soon as practicably possible.

2.9. Execution of Client orders takes place according to market depth. In cases where there is insufficient liquidity to fulfil the order of the required volume at the first level of market depth, the execution will take place at the next price level until the order is fulfilled in full.

When the order is executed at multiple levels of market depth, it will appear in the terminal as a weighted average.

¹ Depending on the amount of time the Company needs to process the Client request or instruction, a situation could arise where the recorded execution time of the first request or instruction in the queue will be later than the execution time of the following request or instruction in the Server Log-File.

Calculation of the Weighted Average Price (WAP):

$$WAP = (P1*V1+P2*V2+...+Pn*Vn)/(V1+V2+...+Vn)$$

where:

P1 – price at the initial level of execution;

V1 – volume executed at P1;

P2 – price at the next level of execution;

V2 – volume executed at P2;

Pn – price at the final level of execution;

Vn – volume at the final level of execution.

2.10. In the cases listed below, the Company has the right to decline a Client instruction, with either the message “Off quotes” or “Not enough money” appearing in the Client Terminal:

- a) if the Client sends an instruction before the first quote appears in the trading platform at market opening;
- b) if the Company is not able to hedge the trade with a Liquidity Provider; or
- c) the Client’s free margin level is less than the initial margin.

2.11. The Client shall only give instructions through the Client Terminal. To avoid problems associated with the inability to open or close positions, we recommend using Pending Orders including Stop Loss and Take Profit.

2.12. In order to open a position via the Client Terminal using an Advisor, the Advisor generates a request. If the Company offers a quote, which differs from the Advisor’s quote no more than the maximum deviation value, the Advisor gives an instruction to the Server to open a position at the quote offered by the Company.

Trading Operations

2.13. The Ask price is used when making a “buy” transaction. The Bid price is used when making a “sell” transaction.

As such:

- a) The Ask price is used to open a long position. The Bid price is used to open a short position;
- b) The Bid price is used to close a long position (i.e. sell). The Ask price is used to close a short position (i.e. buy).

Rollover

2.14. The Rollover of positions from one day to the next begins at 23:59:45 Server time, affecting all positions which have been left open between 23:59:45 and 23:59:59 Server time. Positions are rolled over by either crediting or debiting the Client’s trading account with an amount calculated in accordance with the rules specified in the “What happens when I leave my Forex positions open overnight” FAQ.

Trading Session

2.15 The trading session times for each instrument are indicated on the “Contract Specifications” page located in the Meta trader section on the Company Website.

Quote Base Synchronization

2.16. In cases where there is an unplanned interruption in the Server quotes flow, caused by either a technical or software failure, the Company has the right to synchronize its quotes base on the Server (which caters for Clients on live accounts) from other sources. These sources can include:

- a) the quote base on the Demo Server;
- b) any other reliable sources.²

In the case that a dispute arises regarding a break in the quotes flow, all decisions will be made in accordance with the synchronized quote base.

Leverage

2.17. Leverage size depends on the Client’s aggregated open position as indicated on the Company Website.

2.18. The Company has the right to change leverage for a trading account in accordance with the margin requirements with immediate effect and no prior notice.

2.19. The Company has the right to apply new margin requirements in accordance with clause 2.18 to any new positions or positions that are already open.

2.20. The Company has the right to change the leverage for a particular Client at any time and at its sole discretion with prior written notification.

Margin

2.21. The Client shall deposit and maintain the initial and/or hedged margin in the amount determined by the Company. The size of initial margin and/or margin for locked positions is indicated in the Meta trader 4 platform . These sums should only be in the form of cleared funds of the Client, credited to the Company account in accordance with the Regulations for Non-Trading Operations.

2.22. Any margin which is not denominated in the deposit currency will be converted into the deposit currency at the current exchange rate on the foreign exchange market.

2.23. The Client shall pay the initial and/or hedged margin upon opening a position. The amount of initial and hedged margin for each instrument is detailed the “Contract Specifications” subsection of the Meta Trader platform.

2.24. The Company is entitled to change the size of initial, necessary, or hedged margin:

- a) for all Clients, giving written notification 1 (one) calendar day before these amendments are introduced;

² Where the necessary information cannot be retrieved from Demo Servers.

- b) individually for any Client to bring the leverage in line with the margin requirements as indicated in the “Margin Requirements” subsection of the Meta Trader platform;
- c) individually for a Client in emergencies without prior notification;
- d) for all Clients in the case of a force majeure without prior notification.

2.25. The Client shall be responsible for maintaining the necessary margin level on the trading account.

2.26. The Company is entitled to apply clause 2.24 to all already open and newly opened positions.

2.27. The Company is entitled to close the Client's open positions without consent or any prior written notification if the equity falls below that of the necessary margin (Stop Out level), indicated on the Company Website in the “Trading Conditions” subsection of the Meta Trader platform.

Commission, Charges and other Costs

2.28. The Client shall be obliged to pay the Company commissions, charges and other costs set out in the Meta Trader platform.

2.29. The Company may alter the size of commissions and other charges without providing the Client any written warning of such action. All alterations are published in the Meta Trader platform.

2.30. Subject to compliance with all applicable rules and regulations, the Company will not be under any obligation to disclose to, or provide the Client with, any report of profits, commissions or other remunerations made or received by the Company on any Client trading operation, unless otherwise agreed in any of the Regulatory documents.

2.31. The Company may periodically act on a Client's behalf in relations with parties with whom the Company or another affiliated party has an agreement permitting the Company to receive goods or services in exchange for completing trading operations. The Company ensures that such arrangements shall operate in the best interest of Clients, for example, arrangements granting access to information or other services which would not otherwise be available.

2.32. If the equity of the Client's trading account becomes negative, the Client shall be liable for this loss and must make a payment of the full and total amount due immediately.

Transfer of Inactive Accounts to the Archive

2.33. In case of an inactive account being transferred to the archive:

- a) The Client acknowledges that the Company is entitled to transfer inactive trading accounts to the archive. The Client's inactive account shall be transferred from the trading terminal to the archive resulting in the Client's access and ability to complete any operations being blocked, but all account history being saved.
- b) The Client can restore an archived trading account by filing a request in mySmartprime.

c) The Company shall restore the trading account within 3 (three) working days of receiving the request to restore a trading account from the archive.

d) The Company shall give the Client written notification the day the trading account has been restored.

Deletion of Trading Account History

2.34. The Company reserves the right to delete from a trading account's history Pending Orders that had been canceled either by the Client or the Company one week after cancellation.

3. Opening a Position

3.1. In order to give an instruction to open a position, the Client shall specify the following:

a) instrument;

b) transaction volume.

3.2. To open a position through the Client Terminal without using an Expert Advisor, the Client must click either "Buy by Market" or "Sell by Market". The Client instruction to open a position may be executed at a price that differs from the quote in the Client Terminal during the last Market Snapshot in the following situations:

a) if the current quote has changed since the last Market Snapshot;

b) if the quote from the last Market Snapshot is for a lower transaction volume than the volume specified in the Client instruction.

In any case, the instruction will be executed at the best price available from the Company's Liquidity Providers.

Processing and Execution of Instructions to Open a Position

3.3. Once the Server has received the Client instruction to open a position, it automatically verifies that the free margin on the trading account is sufficient to open the position:

a) the cumulative Client position and new necessary margin ("New margin") are calculated: for locked positions (Matched Positions) depending on the hedged margin, and for other positions depending on the initial margin, which is determined by the average weighted price (in terms of volume) of all positions except for locked;

b) all floating profit/losses at current quotes on all open positions;

c) "Free margin" is calculated as follows: $\text{Free Margin} = \text{Balance} - \text{New Margin} + \text{Floating Profit} / \text{Floating Loss}$;

d) if the calculations mentioned above have been done and:

"Free margin" is greater than or equal to zero, subject to clause 2.9, the position is opened. The opening is accompanied by a corresponding entry in the Server Log-File;

"Free margin" is less than zero, the Company reserves the right to decline the instruction to open the position and the message "No money" will be recorded in the Server Log-File.

3.4. A Client instruction to open a position shall be deemed executed and the position shall be open once the relevant record appears in the Server Log-File.

3.5. Every open position in the trading platform has an assigned ticket.

3.6. An instruction to open a position will be declined by the Company if it was given prior to the first quote in the trading platform at market opening. In this case, the “Off quotes” message will appear in the Client Terminal window.

4. Closing a Position

4.1. In order to give an instruction to close a position, the Client shall specify the following:

- a) ticket;
- b) transaction volume.

4.2. To close a position through the Client Terminal without using an Expert Advisor, the Client must click “Close...”. The Client instruction to close a position may be executed at a price that differs from the quote in the Client Terminal during the last Market Snapshot in the following situations:

- a) if the current quote has changed since the last Market Snapshot;
- b) if the quote from the last Market Snapshot is for a lower transaction volume than the volume specified in the Client instruction.

In any case, the instruction will be executed at the best price available from the Company’s Liquidity Providers.

Processing and Execution of Instructions to Close a Position

4.3. If there are two or more locked positions in the list of open positions for the trading account, when a request or instruction is given to close any of these positions, the “Close by” option appears in the drop-down “Type” list. After the Client chooses this option, a list of the positions opened in the opposite direction is shown. The Client may close locked positions of the same volume or partially close two locked positions with different volumes. In the case of the latter, the smaller position and the opposite part of the larger position are closed; the volume which remains becomes a new position and as such is allocated a new ticket.

4.4. If there are two or more locked positions in the list of open positions for the trading account, when a request or instruction is given to close any of these positions, the “Multiple Close by” option appears in the drop-down “Type” list. The Client may close all locked positions by using this function. In such a case, any remaining volume becomes a new position and as such is allocated a new ticket.

4.5. A Client instruction to close a position shall be deemed executed and the position shall be deemed closed once the relevant record appears in the Server Log-File.

4.6. An instruction to close a position will be declined by the Company if it was given prior to the first quote in the trading platform at market opening. In this case, the “Off quotes” message will appear in the Client Terminal window.

4.7. An instruction to close a position may be declined by the Company if it is made when a Stop Loss or Take Profit order for this position is in the queue to be executed. In this case the “Offquotes” message appears in the Client Terminal window.

5. Pending Orders

Order Types in the Trading Platform

5.1. In order to open a position, the following Pending Orders may be used:

- a) “Buy Stop” – an order to open a long position at the price higher than the price at the moment of placing the order;
- b) “Sell Stop” – an order to open a short position at the price lower than the price at the moment of placing the order;
- c) “Buy Limit” – an order to open a long position at the price lower than the price at the moment of placing the order;
- d) “Sell Limit” – an order to open a short position at the price higher than the price at the moment of placing the order.

5.2. In order to close a position, the following orders may be used:

- a) “Stop Loss” – an order to close a previously opened position at the price less profitable for the Client than the price at the moment of placing the order;
- b) “Take Profit” – an order to close a previously opened position at the price more profitable for the Client than the price at the moment of placing the order;
- c) “If-Done Order” – Stop Loss and/or Take Profit which are activated once the Pending Order they are related to has been executed.

Time and Duration of Orders

5.3. The Client may place, modify or delete orders only within trading hours for the relevant instrument. The trading hours for each instrument are indicated in the “Contract Specifications” subsection of tMeta Trader platform.

5.4. All Pending Orders for instruments that can be traded round-the-clock have a Good till Cancelled (GTC) status and are accepted for an unlimited period of time. The expiry date and time can be set by the Client in the “Expiry” field.

5.5. All Pending Orders for instruments that are traded within a session have a Day Order (DO) status, are accepted within the current trading session and are removed by the Company at the end of the trading day.

5.6. Stop Loss and/or Take Profit for all instruments have “GTC” status (“Good till Cancelled”) and are accepted for an unlimited period of time.

Order Placement Procedure

5.7. In order to give an instruction to place a Pending Order, the Client shall specify the following required parameters:

- a) instrument;
- b) transaction volume;
- c) order type (Buy Stop, Buy Limit, Sell Stop, or Sell Limit);
- d) order level.

In addition, the Client may indicate the following optional parameters:

- a) Stop Loss level;
“0.0000” means that Stop Loss is not placed (or it is deleted if it has already been placed);
- b) Take Profit level;
“0.0000” means that Take Profit is not placed (or it is deleted if it has already been placed); or
- c) date and time when the Pending Order expires.

The instruction will be declined if:

- a) any of the required parameters is not specified or is incorrect; or
- b) any of the optional parameters is incorrect.

In this case, the “Invalid S/L or T/P” error message appears if the orders are placed via the client terminal without using an Expert Advisor.

5.8. If the Client gives an instruction to place Stop Loss or Take Profit, the following information must be specified:

- a) ticket of the open position which the Client intends to place the orders on;
- b) Stop Loss level;
“0.0000” means that Stop Loss is not placed (or it is deleted if it has already been placed);
- c) Take Profit level;
“0.0000” means that Take Profit is not placed (or it is deleted if it has already been placed).

If any of the information is incorrect and the orders are placed via the client terminal without using an Expert Advisor, the instruction will be declined and the “Modify...” button will remain inactive.

5.9. If the Client gives an instruction to place the If Done orders on a Pending Order, the Client shall specify the following:

- a) ticket for the Pending Order which the Client intends to place the orders on;

- b) Stop Loss level;
“0.0000” means that Stop Loss is not placed (or it is deleted if it has already been placed); and
- c) Take Profit level;
“0.0000” means that Take Profit is not placed (or it is deleted if it has already been placed).

If any of the indicated information is incorrect and the orders are placed via the client terminal without using an Expert Advisor, the instruction will be declined and the “Modify” button will remain inactive.

5.10. While giving an instruction to place a Pending Order including Stop Loss and/or Take Profit on an open position, the difference between the Pending Order including Stop Loss and/or Take Profit and the current market price must not be less than the number of points indicated for each instrument in the Contract Specifications, and the following conditions must be met:

- a) for the Stop Loss on a short position the current market price is the Ask price and the order must not be placed lower than the Ask price plus this number of points;
- b) for the Take Profit on a short position the current market price is the Ask price and the order must not be placed higher than the Ask price less this number of points;
- c) for the Stop Loss on a long position the current market price is the Bid price and the order must not be placed higher than the Bid price less this number of points;
- d) for the Take Profit on a long position the current market price is the Bid price and the order must not be placed lower than the Bid price plus this number of points;
- e) for the Buy Limit the current market price is the Ask price and the order must not be placed higher than the Ask price less this number of points;
- f) for the Buy Stop the current market price is the Ask price and the order must not be placed lower than the Ask price plus this number of points;
- g) for the Sell Limit the current market price is the Bid price and the order must not be placed lower than the Bid price plus this number of points; and
- h) for the Sell Stop the current market price is the Bid price and the order must not be placed higher than the Bid price less this number of points.

5.11. While giving an instruction to place an If Done Order on a Pending Order, the difference between the If Done Order level and the level of the Pending Order must not be less than the number of points indicated for each instrument in the Contract Specifications, and the following conditions must be met:

- a) the Stop Loss on the Buy Limit or Buy Stop must not be placed higher than the level of the Pending Order less this number of points;
- b) the Stop Loss on the Sell Limit or Sell Stop must not be placed lower than the level of the Pending Order plus this number of points;
- c) the Take Profit on the Buy Limit or Buy Stop must not be placed lower than the level of the Pending Order plus this number of points;

d) the Take Profit on the Sell Limit or Sell Stop must not be placed higher than the level of the Pending Order less this number of points.

5.12. An instruction to place an order is deemed executed and the order is deemed placed once the relevant record appears in the Server Log-File.

5.13. Each Pending Order has a ticket.

5.14. An instruction to place an order will be declined by the Company if it precedes the first quote on the Market Opening. In this case, the “Off quotes” message appears in the Client Terminal window.

5.15. The Company has the right, but not obligation, to decline an instruction to place an order if, while a Company processes this instruction, the current quote reaches the level at which clause either 5.10 or 5.11 has been breached.

Order Modification and Deletion

5.16. If the Client gives an instruction to modify Pending Order parameters (the level of the Pending Order and/or If Done orders), the Client shall specify the following:

a) Ticket;

b) Pending Order level;

c) Stop Loss level;

“0.0000” means that Stop Loss is not placed (or it is deleted if it has already been placed);

d) Take Profit level;

“0.0000” means that Take Profit is not placed (or it is deleted if it has already been placed).

If any of the indicated information is incorrect and the orders are placed/modified/deleted via the Client Terminal without using an Expert Advisor, the instruction will be declined and the “Modify” button will remain inactive.

5.17. If the Client gives an instruction to modify Stop Loss and Take Profit on the open position, the Client shall specify the following:

a) Ticket;

b) Stop Loss level;

“0.0000” means that Stop Loss is not placed (or it is deleted if it has already been placed); and

c) Take Profit level;

“0.0000” means that Take Profit is not placed (or it is deleted if it has already been placed).

If any of the indicated information is incorrect and the orders are placed/modified/deleted via the Client Terminal without using an Expert Advisor, the instruction will be declined and the “Modify ...” button will remain inactive.

5.18. When the Client gives an instruction to delete a Pending Order, the Client shall specify its ticket.

5.19. An instruction to modify or delete an order is deemed executed and the order is deemed modified or deleted once the relevant record appears in the Server Log-File.

5.20. An instruction to modify or delete an order may be declined by the Company if it precedes the first quote at Market Opening. In this case the “Off quotes” message appears in the Client Terminal window.

5.21. The Company has the right, but not obligation, to decline an instruction to modify or delete an order if, while it is being processed, the order has been placed in the queue in order to be executed in accordance with clause 5.23.

5.22. Where the Client has given an instruction to modify or delete an order, the Company has the right, but not the obligation, to cancel the order modification or order deletion, if the processing of that instruction is finished after the order is placed in the queue to be executed in accordance with clause 5.23.

Order Execution

5.23. The order is placed in the queue to be executed in the following cases:

a) the Take Profit on open long position is placed in the queue to be executed if the Bid price in the quotes flow becomes equal or higher than the order level;

b) the Stop Loss on open long position is placed in the queue to be executed if the Bid price in the quotes flow becomes equal or lower than the order level;

c) the Take Profit on open short position is placed in the queue to be executed if the Ask price in the quotes flow becomes equal or lower than the order level;

d) the Stop Loss on open short position is placed in the queue to be executed if the Ask price in the quotes flow becomes equal or higher than the order level;

e) the Buy Limit is placed in the queue to be executed if the Ask price in the quotes flow becomes equal or lower than the order level;

f) the Sell Limit is placed in the queue to be executed if the Bid price in the quotes flow becomes equal or higher than the order level;

g) the Buy Stop is placed in the queue to be executed if the Ask price in the quotes flow becomes equal or higher than the order level;

h) the Sell Stop is placed in the queue to be executed if the Bid price in the quotes flow becomes equal or lower than the order level.

5.24. Once the Pending Order is placed in the queue in order to be executed, the Server automatically checks if the Free Margin is sufficient to open the position:

a) new Necessary Margin (New Margin) for a cumulative Client position is calculated: for Matched Positions depending on the Hedged Margin; for other positions depending on the Initial Margin, which is calculated at the average weighted price (in terms of volume) of all positions except the matched ones;

- b) if the Pending Order Level is in a price gap, the Floating Profits/Losses for all open positions are calculated at the current quotes at the moment the order is placed in the queue in order to be executed;
- c) "Free Margin" is calculated according to clause 3.3;
- d) if the above mentioned calculation for new positions have been carried out and "Free Margin" is less than zero, then the Company has the right, but not the obligation, to decline the Instruction to open the position and delete the Pending Order and the message "No money" will be recorded in the Server Log-File. In any case, the order will be fulfilled at the best available price from the Company's Liquidity Providers.

5.25. An order is deemed executed once the relevant record appears in the Server Log-File.

5.26. In case of Pending Order execution, the process of opening the position is followed by the relevant record in the Server Log-File and the position opened by this order has the same ticket as the Pending Order.

5.27. If Liquidity Providers are unable to provide adequate liquidity to completely fulfill an order, the order will be partially filled. The remaining volume will be accounted for in a new Pending Order with the same parameters as the original Client order.

5.28. The Company can fulfill Buy Limit, Sell Limit and Take Profit orders at requested price or at a better price at the moment the order is executed.

5.29. If there is insufficient liquidity at the order level, the Company may execute Buy Stop, Sell Stop and Stop Loss orders at the current available price at the moment the order is fulfilled. The Client agrees that the execution price may differ from the order level.

6. Stop Out

6.1 The Company is entitled to forcibly close the Client's open positions without the consent of the Client and any prior notice given if the level of equity in relation to the margin on the trading account breaches the Stop Out level. The Stop Out level is indicated in the Meta Trader platform.

6.2. Margin Level is monitored by the Server and, subject to clause 6.1, the Server generates the Stop Out instruction to close a position without prior consent of the Client. Stop Out is executed at the current price available when the order is executed.

The Client agrees with the fact that the execution price may differ from that of the quote price generated by a Stop Out instruction.

The involuntary closure of positions will be accompanied by a record being made in the Server Log-File with the commentary, "Stop Out".

6.3. The Stop Out in some cases may be executed at the price at which the Company has hedged the trade. The Company has the right to adjust this price to reflect the cost of hedging.

6.4. If the Client has several open positions, the first position which has to be placed in the queue to be closed is the one with the highest floating loss.

6.5. If a Stop Out execution has resulted in negative equity on the Client's trading account, the Client shall be liable for this loss and must make a payment to the Company of the full and total amount due immediately.

6.6. The Company retains the right to forcibly close any of the Client's open positions without providing any prior warning whilst a dispute is ongoing.

6.7. If changes are made to the list of trading instruments, the Company shall have the right to forcefully close any open positions of the Client should these positions involve the use of instruments which are no longer provided by the Company. The closure of positions will take place at the last available price.

7. Principles of Working with the MetaTrader 4 Trading Platform

7.1. Only a single position, the volume of which will alter when additional trades for the instrument are made, can be open for each instrument per trading account. The volume of such a position is calculated as the difference between the volumes of the trades for the purchase and the volumes of trades for the sale of a particular instrument. The direction of the position will correspond to the direction of the trades with the larger aggregated volume. Where the aggregated volume is equal for both the purchase and the sale, the position will be closed.

7.2. Along with the other order types listed in clause 5.1. of these Regulations, in the MetaTrader 4 platform it is possible to set the following Pending Order types to open a position:

- a) Buy Stop Limit is used to set a limit order to make a purchase (Buy Limit) when the Ask price meets the stop level indicated in the order;
- b) Sell Stop Limit is used to set a limit order to make a sale (Sell Limit) when the Bid price meets the stop level indicated in the order.

7.3. Where the Client submits an instruction to place a Buy Stop Limit or Sell Stop Limit Pending Order, the Stop Limit level parameter should be indicated, together with the parameters listed in clause 5.7 of these Regulations.

7.4. Where the Client submits an instruction to place a Buy Stop Limit or Sell Stop Limit Pending Order, the point difference between the level that the order was placed and the current market price should not be less than the number of points indicated in the Contract Specifications for the instrument in question and the following conditions must be met:

- a) for Buy Stop Limit order: Ask is considered the current market price and the order should not be placed below the Ask price, plus the number of points indicated;
- b) for Sell Stop Limit order: Bid is considered the current market price and the order should not be placed above the Bid price, minus the number of points indicated.

7.5. Where the Client submits an instruction to place an If Done order for Buy Stop Limit or Sell Stop Limit Pending Orders, the Client should take into account that the difference between the If Done order level and the Stop Limit Pending Order level, the Buy Stop Limit or Sell Stop Limit should not be less than the number of points indicated in the Contract Specifications for each instrument and the following conditions must be met:

- a) the Stop Loss order for the Buy Stop Limit Pending Order should not be placed above the Stop Limit level, minus the number of points indicated;
- b) the Stop Loss order for the Sell Stop Limit Pending Order should not be placed below the Stop Limit level, plus the number of points indicated;

- c) the Take Profit order for the Buy Stop Limit Pending Order should not be placed below the Stop Limit level, plus the number of points indicated;
- d) the Take Profit order for the Sell Stop Limit Pending Order should not be placed above the Stop Limit level, minus the number of points indicated.

7.6. Where the Client submits an instruction to modify the parameters of a Buy Stop Limit or Sell Stop Limit Pending Order, (the Pending Order level and/or the Stop Limit level and/or If Done order for the Pending Order in question), the Stop Limit level parameter should be indicated, together with the parameters listed in clause 5.16 of these Regulations.

7.7. The order is set in the queue to be executed in the following circumstances:

- a) the Buy Stop Limit order is placed in the queue to be executed if the Ask price in the quote's flow becomes equal to or above the order level;
- b) the Sell Stop Limit order is placed in the queue to be executed if the Bid price in the quote's flow becomes equal to or below the order level.

8. Communications

8.1. In order to communicate with the Client, the Company may use:

- a) trading platform internal mail;
- b) email;
- c) telephone;
- d) post;
- e) announcements in the "Company News" subsection of the "About Us" section on the Company Website.

Contact details provided by the Client whilst opening a trading account or updated in accordance with clause 8.3 of these Terms of Business will be used by the Company and the Client agrees to accept any notices or messages from the Company at any time.

8.2. Any communications sent to the Client (documents, notices, confirmations, statements etc.) are deemed received:

- a) if sent by email, within one hour after emailing it;
- b) if sent by trading platform internal mail, immediately after sending it;
- c) if by telephone, then once the telephone conversation has been finished;
- d) if sent by post, 7 (seven) calendar days after posting it; and
- e) if posted in the "Company News" subsection of the "News" section on the Company Website, within one hour after it has been posted.

8.3. The Client shall notify the Company immediately of any change in the Client's contact details.

8.4. Each trading operation of the Client is confirmed in a daily trading report (Confirmation), which is sent by email on the next business day after the execution.

8.5. On the first day of each month the Company will send by email a statement which includes all transactions during the previous month.

8.6. Any telephone conversation between the Client and the Company may be recorded. Any recordings shall be and will remain the sole property of the Company and will be accepted by the Client as conclusive evidence of the instructions or conversations so recorded. The Client agrees that the Company may deliver copies of transcripts of such recordings to any court, regulatory or government authority.

9. Procedure for Dispute Resolution

Complaint Procedure

9.1. If any conflict situation arises when the Client reasonably believes that the Company as a result of any action or failure to act breaches one or more terms of these Terms of Business, the Client has the right to lodge a complaint with the Company as soon as reasonably practicable but in any case within 2 (two) business days after the grievance has arisen.

9.2. A complaint shall be lodged within the corresponding section of mySmartprime. Complaints are automatically assigned with a unique number (TID), the confirmation of which is sent to the Client. All complaints lodged by any other means (on a forum, by email, telephone, etc.) will not be considered.

Any correspondence regarding a complaint after it is lodged will be carried out, preserving the subject heading and indicating the unique TID number.

9.3. A complaint shall include:

- a) name and surname of the Client (or company name if the Client is a legal entity);
- b) Client's login in the trading platform;
- c) details of when the conflict first arose (date and time in the trading platform time zone);
- d) ticket of the position and/or Pending Order;
- e) description of the disputed situation with references to the appropriate clause(s) of these Terms of Business which the Client believes to have been breached.

9.4. The complaint must not include:

- a) emotional description/assessment of the conflict situation;
- b) offensive language;
- c) obscenities.

9.5. The Company has the right to refuse a complaint if any of clauses 9.1, 9.2, 9.3 or 9.4 of these Terms of Business have been breached.

Server Log-File

9.6. The Server Log-File is the most reliable source of information in a case of any dispute. The Server Log-File has the absolute priority over other arguments including the Client Terminal Log-File as the Client Terminal Log-File does not register every stage of the execution of the Client's instructions.

9.7. If the Server Log-File has not recorded the relevant information to which the Client refers, the argument based on this reference may not be considered.

Indemnification

9.8. The Company may resolve all disputes:

- a) by crediting/debiting the Client's trading account: this correcting entry will have the explanatory narrative, "Indemnification";
- b) by reopening erroneously closed positions;
- c) by deleting erroneously opened positions or placed orders.

The Company has the right to choose the method of dispute resolution at its sole discretion from the options listed above.

Where disputes arise for which these Terms of Business do not make provisions, the decision for how the case will be resolved will rest with the Company in accordance with common market practice in a way that the Company sees as fair.

If the quotes flow has been interrupted due to a software and/or hardware failure, all decisions in respect of the dispute will be made on a basis of the quotes base synchronized in accordance with clause 2.13 of these Terms of Business.

9.9. The Company shall not be liable to the Client if for any reason the Client has received less profit than had hoped for or has incurred a loss as a result of uncompleted action which the Client had intended to complete.

9.10. The Company shall not be liable to the Client in respect of any indirect, consequential or non-financial damage (emotional distress etc.).

9.11. The Compliance Department shall consider any Client complaint or dispute and will deliver a judgment within the shortest amount of time possible. The dispute must be reviewed within five business days of having been received. In certain situations, this deadline may be extended.

9.12. The Company shall take steps to resolve a dispute in accordance with clauses 9.8 (a), (b) and/or (c) immediately having taken a decision on the matter, but not later than one business day from the moment a decision regarding the dispute has been made.

The Client acknowledges that they shall be unable to manage positions which are the subject of a dispute whilst the case is being assessed by the Company and steps being taken towards the dispute's resolution. With regards to this, no complaint made by the Client shall be accepted.

The Client acknowledges that the Company will not notify the Client that the dispute has been resolved and the instruction has been executed and the Client will be responsible for all the risks in this respect.

Refusal of Complaint

9.13. No complaints shall be considered regarding unexecuted instructions which were sent by the Client during Server maintenance work if the Client has been notified by trading platform internal mail or some other way prior to such maintenance work taking place. The fact that the Client has not received a notice shall not constitute a reason to lodge a complaint.

9.14. No complaints shall be considered regarding the time of order execution, provided that clause 5.23 has not been breached, notwithstanding the amount of time the Company needs to execute the order as well as the time when the Server Log-File recorded the order execution.

9.15. No complaints shall be considered regarding the cancellation of financial results from deals made using excess Free Margin on the trading account gained as a result of a profitable deal (subsequently cancelled by the Company) opened at an Error Quote (spike) or at a quote received as a result of a Manifest Error.

9.16. In respect of all disputes, any references by the Client to the quotes of other companies or information systems will be considered improper and will not be taken into account.

9.17. Under these Terms of Business, both the Company and the Client have the right to initiate the dispute resolution process.

10. Terms and Interpretation

10.1. If there is not an unambiguous definition for one of the terms in this document, the interpretation of this term should be based on the definition in the Client Agreement.

10.2. In these Terms of Business:

“Bar”, “Candlestick” shall mean a chart element, which shows opening and closing prices, as well as the lowest and the highest prices for a definite period of time (for example, minute, 5 minutes, a day, a week).

“Buy Limit” shall have the meaning given in clause 5.1.

“Buy Stop” shall have the meaning given in clause 5.1.

Buy Stop Limit shall have the meaning given in clause 7.2.

“Client Terminal Log-File” shall mean the file, which is created by the Client Terminal in order to record all the Client's instructions with accuracy to a second.

“Client” shall mean a legal entity or an individual being a party to a contract with the Company in respect of making transactions subject to Margin Trading.

“Client Agreement” shall mean an agreement between the Company and the Client, which is concluded upon the Client accepting of the terms of the proposal offered by the Company.

“Day Order” shall mean an order which is automatically deleted at the end of the trading session.

“Company” shall mean the Server or Company employee who is authorized to process the Client’s instructions and execute orders and Stop Outs.

“Expert Advisor” shall mean an algorithm in the form of a program based on MetaQuotes Language 4 and MetaQuotes Language 5, which is used to control a trading account and give instructions and requests to the server via the Client Terminal.

“Free Margin” shall have the meaning given in clause 3.3.

“GTC” (“Good till Cancelled”) shall mean an order which is valid until the Client sends an instruction to delete the order.

“If Done Order” shall have the meaning given in clause 5.2.

“Liquidity Provider” shall mean a bank or an ECN which is streaming tradable prices to the Company and may be used by the Company to hedge the Client’s trades.

“Manifest Error” shall mean an error by the Company who opens/closes a position or executes an order at the price which significantly differs from the price for this Instrument in the quote flow at the moment of taking this action, or any other action taken by the Company regarding prices which are significantly different from the market prices.

“Market Opening” shall mean the time at which the market opens after weekends, holidays or trading session time gaps.

“Market Order” shall mean an instruction from the Client to the Company to open a position at the current market price.

“Market Snapshot” shall mean quotes for instruments at a particular moment in time.

“Pending Order” shall mean an instruction from the Client to the Company to open or close a position once the price has reached the level of the order.

“Point”/ “Pip” shall mean the smallest value in which a currency rate may change.

“Price Gap at Market Opening” shall mean the following:

- a) the first Bid of the current trading session is higher than the last Ask of the previous session; or
- b) the first Ask of the current trading session is lower than the last Bid of the previous session.

“Sell Limit” shall have the meaning given in clause 5.1.

“Sell Stop” shall have the meaning given in clause 5.1.

Sell Stop Limit shall have the meaning given in clause 7.2.

“Server Log-File” shall mean the file created by the Server, which records accurately to a second all instructions sent by the Client to the Company as well as the results of their execution.

Stop Limit Level shall mean the level at which a Buy Limit/Sell Limit Pending Order is placed following the activation and execution of a Buy Stop Limit/Sell Stop Limit order.

“Stop Loss” shall have the meaning given in clause 5.2.

“Stop Out” shall mean an instruction to close the Client’s open positions without the consent of the Client or any prior notice in a case of insufficient funds required for maintaining open positions.

“Take Profit” shall have the meaning given in clause 5.2.

“Ticket” shall mean the unique identity number assigned for each open position or Pending Order or deposit/withdrawal transaction in the trading platform.

“Trailing Stop” shall mean 1) the “Trailing Stop” value set by the Client; 2) the algorithm of managing “Stop Loss” orders:

- a) if profit of an open position is less than the Trailing Stop value, no action shall be taken;
- b) as soon as the profit of an open position exceeds the Trailing Stop value, an instruction is sent to the Server to place a “Stop Loss” order at the price the same distance from the current price as the Trailing Stop is from the current price.
- c) once a new Quote has been received whereby the distance between the Stop Loss order level and the current price has exceeded the distance between the Trailing Stop value and the current price, the Client Terminal sends the instruction to the Server to adjust the Stop Loss order to the level which is at the same distance from the current price as the Trailing Stop is from the current price.

A “Trailing Stop” is executed only when the Client Terminal is on-line, having been successfully authorized on the Server.

SMART PRIME GROUP LTD

