



# Architect

## Margin Policy

ARCHITECT BERMUDA LTD.

## APPROVAL

Adoption of this document is subject to the approval of the Board (the "**Board**") of Architect Bermuda Ltd. (the "**Company**").

This document has been reviewed and approved by the Board on the following dates:

Version	Date of Approval	Effective Date
2025 - 1	August 13, 2025	August 13, 2025

## **1 DEFINED TERMS**

**"BMA"** means the Bermuda Monetary Authority

**"Board"** means the board of directors of the Company

**"Company"** means Architect Bermuda Ltd

**"CRO"** means Chief Risk Officer

## **2 INTRODUCTION**

- 2.1 The Company is a Bermuda exempted company limited by shares that holds a Class F digital asset business license under the DABA and a standard investment business licence under the IBA. The Company is a wholly-owned subsidiary of Architect Financial Technologies Inc.
- 2.2 The Company operates a global derivatives exchange specialising in the trading and clearing of perpetual futures and other derivatives on traditional financial. The Company trades perpetual futures on an order book based on price-time priority on its exchange. The Company allows trading on the exchange either directly, or through brokers either on an omnibus or fully disclosed basis. Brokers can offer margin and lending services and provide recourse if a customer fails to meet margin requirements.
- 2.3 This policy sets out the Company's approach to prudent margin trading.
- 2.4 The CRO shall be primarily responsible for the Company's margin trading practices. CRO will oversee the implementation of risk management policies and procedures, and ensure that the company remains compliant with regulatory requirements and industry standards.

## **3 INITIAL MARGIN**

- 3.1 Initial Margin is the amount of collateral required to open a perpetual futures position.
- 3.2 The primary consideration for setting initial margin shall be to ensure the exchange retains enough margin to cover potential losses, including losses from liquidation of positions.
- 3.3 Product Analysis
  - (a) For each product, the CRO shall determine margin and leverage parameters based on a variety of principles to assess the price volatility and risk profile of the product, including a quantitative analysis of the product value at risk ("**VaR**") using historical data, current market conditions, and current exchange conditions.
  - (b) Special consideration shall be given to the possibility of extreme price movements, including the probability of such price movements and an assessment of the potential magnitude.
- 3.4 All margin and leverage policies shall adhere to all jurisdictional requirements, including any restrictions on maximum allowed leverage.

## **4 MAINTENANCE MARGIN**

- 4.1 Maintenance Margin is the amount of collateral required to maintain an open perpetual futures position.
- 4.2 The primary consideration for setting maintenance margin shall be to ensure the exchange retains enough margin to cover potential losses, including losses from liquidation of positions.
- 4.3 Maintenance margin will generally be set as a fixed percentage of the Initial Margin.
  - (a) As a result, the primary factors for setting Initial Margin will largely determine Maintenance Margin as well.

- 4.4 As a result of changing conditions, the maintenance margin (as a percentage of initial margin) can be adjusted.
- (a) This can be the result of a variety of factors, such as changes in market volatility or in customer exposures.
- 4.5 All margin and leverage policies shall adhere to all jurisdictional requirements, including any restrictions on maximum allowed leverage.

## **5 ACCEPTABLE COLLATERAL**

- 5.1 At present, the only acceptable collateral will be US Dollars (“USD”). As a result, no volatility or liquidity analysis is required.
- 5.2 The Company’s expected digital assets custodian will support a service where stablecoin deposits can be made.
- (a) A user who wishes to make a USDC deposit will send USDC funds to a deposit address provided by the custodian. Once the USDC is received, the custodian will perform compliance checks and convert the USDC to USD, which will then be credited to the user’s account and able to be utilized as margin.
- (b) Because the collateral is converted to USD, the Company expects to be able to treat these stablecoin deposits equivalently to US Dollar deposits.
- (c) If the digital assets custodian retains collateral in stablecoin format, this policy will be revised to account for potential haircuts given prevailing market conditions.
- 5.3 If non-USD forms of collateral are accepted, this policy will be amended to incorporate appropriate requirements such as applicable haircuts, monitoring of concentration of collateral, and liquidation of collateral.

## **6 MARGIN CALLS AND LIQUIDATION**

- 6.1 Accounts that no longer have sufficient collateral or equity to meet the maintenance margin requirement are subject to margin call and liquidation of open positions.
- 6.2 The Company will employ a fully automated, real-time margin monitoring system integrated with the trading platform. This system will continuously track customers’ positions, account balances, and collateral to ensure that margin requirements are met.
- 6.3 Once a position is open, the system will continuously monitor the maintenance margin requirements to ensure that customers maintain sufficient collateral to keep their positions open.
- 6.4 As a courtesy, the Customer Support team may communicate with users as their account approaches the criteria for a margin call. This is not required.
- 6.5 If the account fails to maintain sufficient collateral to meet the maintenance margin requirement, a margin call will be issued. This notice process will be conducted by the Customer Support team, which may use automated tools to send the notice. Notice will be sent to the preferred contact information for users, which will typically be via email. Margin calls will generally include a warning specifying the steps the Company plans to take if the margin call is not met and when this will occur. The margin call process is not a prerequisite to initiating the liquidation process, and can happen concurrently if the margin shortfall is sufficiently severe.
- 6.6 Users may be provided a grace period to meet a margin call. The determination for whether or not to provide a grace period, as well as the length of the grace period, shall be made by the Risk team (overseen by the CRO), and can consider details including of the magnitude of the margin shortfall,

the customer portfolio (e.g. concentration of positions) as well as customer identity (e.g. creditworthiness, trading history, history of meeting margin calls, ability for legal recourse). If a grace period is provided and a margin call is not met before the end of the grace period, the account will be subject to the liquidation process. If no grace period is provided, the account will immediately be subject to the liquidation process.

- 6.7 Users subject to outstanding margin calls or are subject to the liquidation process will not be able to open additional positions or withdraw collateral.
- 6.8 If the user has not met the margin call by the end of the specified grace period (if provided), or if the customer's account collateral drops sufficiently below the maintenance margin requirement, the Company will initiate the liquidation process.
- 6.9 The liquidation process is the process by which the Company closes open positions on behalf of a user in order to return the account to compliance with the maintenance margin requirement. This may include closing some or all open positions. The liquidation will be executed in a manner that is as fair and orderly as is practical, including being done at a reasonable speed and that minimizes market disruption. The Company will take effort to achieve reasonably priced executions on behalf of the liquidated account, but will not be liable for trading losses as a result of the liquidation process.
- 6.10 The primary consideration of the liquidation process will be to protect the Company from losses resulting from user's margin trading exposure.
- 6.11 The liquidation process shall be conducted by the Risk team (overseen by the CRO), and may use automated tools to aid in the process. The Customer Support team will communicate any liquidation steps taken to the user.
- 6.12 The Company will maintain an insurance fund (the "**Insurance Fund**") on behalf of customers that enter into positions on the exchange. The Insurance Fund is designed to protect the exchange and its participants from extraordinary market events and potential defaults. The Insurance Fund may be utilized in circumstances where a user's funds are insufficient to cover their losses. The Insurance Fund acts as the last line of defense before the Auto-Deleveraging ("**ADL**") process is triggered. By maintaining a sufficient balance, the Fund reduces the likelihood of ADL events, which can be disruptive to traders who manage risk carefully. The Fund is continuously monitored to ensure it maintains adequate capital to protect against potential market volatility.
- 6.13 If the liquidation process is unable to close positions such that the user's account value remains non-negative, and the insurance fund is depleted during exceptional trading conditions, the Risk team may be required to trigger an Auto-Deleveraging (ADL) process.
  - (a) ADL is a last-resort procedure to liquidate positions in a way that ensures the exchange remains solvent, and should be generally avoided if possible.
  - (b) The ADL process matches positions needing to be liquidated against users with the opposite (profitable) position, closing out both of these positions.
  - (c) The price at which ADL occurs shall be the price at which causes the liquidated user's losses to be equal to their collateral, which would thus make their account equity zero at the conclusion of the ADL process. This ensures that the Company will not be exposed to losses resulting from user's margin trading exposure. Trades already executed as part of the liquidation process may also require amending to this price.
  - (d) To determine priority for selecting positions to be closed via ADL, positions with the greatest unrealized profit and largest leverage generally will have the highest priority. All open positions are eligible for ADL.
  - (e) Users who have positions closed via ADL will be notified, and may have open orders closed.
  - (f) Trading may be halted in order to execute the ADL process in an orderly manner.

## **7 DEVIATIONS FROM THIS POLICY**

- 7.1 Deviations from this policy may only take place with dual sign-off from the Head of Compliance and CEO and only after:
- (a) diligently conducting appropriate assessment of the user's creditworthiness; and
  - (b) prudently assessing the quality, liquidity and volatility of the collateral provided by the user, with due regard to the prevailing market conditions.

## **8 MANAGEMENT REPORTS AND AUDITS**

- 8.1 Management reports will be provided quarterly to enable sufficient oversight in relation to:
- (a) outstanding margin requirements and equity per account;
  - (b) margin call status of each account;
  - (c) analysis of collateral received;
  - (d) margin ratios for different collateral items; and
  - (e) concentration of exposure to securities collateral or users.
- 8.2 The Company will conduct regular audits of the margin and monitoring system and will provide financial statements, a liquidity analysis and quarterly returns, as required, to the BMA detailing margin levels, instances of margin calls, customer liquidations, and other risk mitigation actions taken by the Company.

## **9 STRESS TESTING**

- 9.1 The Company will conduct stress testing scenarios weekly to test, at a minimum, the impact of abnormal and significant market movements. Additionally, on an as needed basis, the scenario parameterization and methodology will be reviewed and updated in order to appropriately measure the impact of potential stress scenarios on the exchange.
- 9.2 For methodology, the stress test scenarios will measure the impact of various market moves on the exchange and its users. At minimum, for each scenario, the stress test will compute the impact of the price move to each user's profits and losses and the resulting account equity change in relation to the margin requirement, and evaluate any margin breaches or liquidations that would be triggered. A list of margin breaches and liquidations will be generated and be reviewed, as well as aggregate statistics such as the total account equity of margin breach accounts in each scenario, number of accounts subject to liquidation in each scenario, total buy versus sell notional amount that would be liquidated in each scenario, and a before & after liquidation picture of the margin requirements in each scenario. The scenarios that will be evaluated will simulate various plausible high volatility market events, such a six scenario array consisting of up or down moves of 10%, 20% or 30% move in each underlying asset. The specific market moves will be determined considering the nature of the underlying assets, historical performance, and current market conditions.
- 9.3 The results of the stress tests will be reviewed by the CRO to ensure that margin levels and the overall risk of the exchange remain acceptable. Where appropriate, the CRO will consider whether additional measures are needed, such as tightening the margin trading policy or reducing exposures to individual users or concentrated positions.

## **10 RECORD KEEPING**

- 10.1 The Company will maintain records to ensure that the case history of margin calls for each individual user can be readily established.