Margin Policy

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1. Introduction

This Margin Policy outlines the principles and procedures governing margin requirements, margin calls, and stop-out levels for trading accounts. Margin trading allows traders to leverage their capital, increasing both potential profits and risks. It is the responsibility of traders to maintain sufficient margin levels to support their open positions and manage their trading risks effectively.

2. Margin Calculation

Margin represents the amount of equity required to open and maintain a trading position.
The margin is calculated using the following formula:

Margin = (Contract Size * Lot Size * Open Price) / Leverage

For example, if a trader opens a 1 Lot position (100,000 units) in EUR/USD at an opening price of 1.1200 with a leverage of 1:100, the margin required would be:

Margin = (100,000 * 1 * 1.1200) / 100 = 1,120 USD

Different instruments may have varying margin requirements based on market conditions, asset volatility, and regulatory requirements.

3. Free Margin and Margin Level

- **Free Margin**: The difference between the trader's account equity and the used margin. This determines the trader's ability to open new positions.
- **Margin Level**: The ratio of account equity to used margin, expressed as a percentage.

Margin Level = (Equity / Margin) * 100

A Margin Level below 100% restricts the trader from opening new positions. If the Margin Level drops to the Stop-Out Level, the system will automatically close positions to prevent further losses.

4. Margin Call and Stop-Out Levels

To ensure traders manage their risk effectively, the following levels apply:

- **Margin Call Level:** 100% of the required margin. When a trader's equity falls to or below this level, they are advised to take action by either adding funds or reducing their open positions.
- **Stop-Out Level:** 20% of the required margin. If the Margin Level reaches this threshold, the system will automatically start closing positions, beginning with those incurring the highest losses, until the Margin Level rises above the Stop-Out Level.

5. Examples of Margin Application (All examples assume the account currency is USD)

Example 1: Leverage 1:100

- Trader deposits $10,000 with a leverage of 1:100, allowing a maximum position size of $1,000,000 (10 Lots).
- Opens a 5 Lot Buy position in EUR/USD at 1.1200.

- Volume: (500,000 EUR * 1.1200) = 560,000 USD
- Margin: 560,000 / 100 = 5,600 USD
- Free Margin: 10,000 - 5,600 = 4,400 USD
- Margin Level: (10,000 / 5,600) * 100 = 178.57%

If EUR/USD rises to 1.1350:

- Profit: (500,000 * 1.1350) - 560,000 = 7,500 USD
- Free Margin: 17,500 - 5,600 = 11,900 USD
- Margin Level: (17,500 / 5,600) * 100 = 312.5%

If EUR/USD falls to 1.1010:

- Loss: 560,000 - (500,000 * 1.1010) = -9,500 USD
- Margin Level: (500 / 5,600) * 100 = 8.9% (Below Stop-Out Level, position automatically closed)

Example 2: Leverage 1:300

- Trader deposits $10,000 with a leverage of 1:300, allowing a maximum position size of $3,000,000 (30 Lots).
- Opens a 20 Lot Buy position in EUR/USD at 1.1200.
    - Volume: (2,000,000 EUR * 1.1200) = 2,240,000 USD
    - Margin: 2,240,000 / 300 = 7,467 USD
    - Free Margin: 10,000 - 7,467 = 2,533 USD
    - Margin Level: (10,000 / 7,467) * 100 = 133.92%

If EUR/USD rises to 1.1350:

- Profit: (2,000,000 * 1.1350) - 2,240,000 = 30,000 USD
- Free Margin: 40,000 - 7,467 = 32,533 USD
- Margin Level: (40,000 / 7,467) * 100 = 536.69%

If EUR/USD falls to 1.1155:

- Loss: 2,240,000 - (2,000,000 * 1.1155) = -9,000 USD
- Margin Level: (500 / 7,467) * 100 = 13.39% (Below Stop-Out Level, position automatically closed)

6. Account Types and Margin Requirements

Account Type	Margin Call Level	Stop-Out Level
Standard	100%	20% – 100%
Zero Spread	100%	20% – 100%

7. Risk Management Considerations

- **Leverage Impact**: Higher leverage amplifies both gains and losses. Traders should carefully assess their risk tolerance and avoid over-leveraging.
- **Market Volatility**: Sudden price movements can trigger margin calls or stop-outs. Setting appropriate stop-loss orders can help mitigate risk.
- **Diversification**: Traders should consider diversifying their positions across multiple instruments to reduce exposure to market fluctuations.
- **Continuous Monitoring**: Regularly monitoring open positions and margin levels is essential to avoid forced liquidations.

8. Broker Rights and Trader Responsibilities

- The broker reserves the right to modify margin requirements based on market conditions, economic events, and regulatory updates.
- The broker is not obligated to provide prior notice of margin calls.
- Traders are responsible for maintaining sufficient funds in their accounts to support open positions and prevent liquidation.
- The broker may implement additional risk controls to protect traders from excessive losses.

9. Conclusion

Trading on margin involves significant risks and may not be suitable for all traders. It is essential to have a clear understanding of margin requirements, leverage effects, and market conditions before engaging in leveraged trading. By participating in margin trading, traders acknowledge the associated risks and assume full responsibility for their trading decisions.