

# Margin Information

## Margin

Margin is calculated based on the leverage used and is the amount of equity needed to open and maintain a position.

**Formula:**  $\text{Margin} = \text{Contract size} * \text{Lot Value} / \text{Leverage}$ .

Where Lot Value is the deal lot \* Account currency rate for Forex and deal lot \* Entry Price \* Account currency for CFD.

Assuming that your trading account has a leverage ratio of 1:100 and you wish to buy 1 Lot (fixed at 100,000) of EUR/USD, leverage gives you the ability to pay 1/100 of the invested amount (this will be the margin used for this single position).

1 Lot EUR/USD = EUR 100,000 against USD

If the EUR/USD opening price was 1.12 the Trade value will be  $(100,000 * 1.12)$  or 112,000 USD.

The margin for the above-mentioned position is  $(112,000/100)$  **1,120 USD**.

## Free Margin

The free margin appears at the bottom of the platform and represents the difference between the trading account's equity and the open positions margin.

Free margin = Equity – Margin

## Margin Level

A percentage value based on the amount of usable margin and equity. If the margin level is less than 100% AxialInvestments may freeze opening new orders. If the margin level is lower than the margin call level (at 100% of the margin level) the trader is advised to deposit more funds. AxialInvestments may automatically close open orders and prevent further trading when the margin level falls below the stop out level.

**Formula:**  $\text{Margin Level} = 100 * \text{Equity} / \text{Margin}$

**Margin call** occurs when the trader's equity as a percentage falls below the margin requirement.

It should be noted that AxialInvestments does not bear an obligation to provide a Margin Call to any trader. Nevertheless, traders are advised to maintain a margin level above 100%.

**Stop Out level** is between 20% – 100% of the Margin Level. When the Stop Out level is reached, the system will start closing your positions automatically, without prior notice.

### Example 1

A client deposits \$10,000 and sets the maximum leverage to 1:100. The trader may open positions of up to  $10,000 * 100 = 1,000,000$  USD which is equal to 10 Lots.

Assume stop out is at 10%

The client opens a BUY position of 5 LOT EUR/USD at 1.12.

Volume of the particular position will be  $\text{EUR } 500,000 * 1 * 1.12 = \$560,000$

Margin will be  $(560,000 / 100) = \$5600$ .

Free Margin will be  $(10,000 - 5,600) = \$4,400$

Margin Level will be  $100 * 10,000 / 5600 = 178.57\%$

### Profit Scenario:

If the EUR/USD rate rises to 1.135, the trader will make a gain of  
 $\text{EUR } 500,000 * (1.135 - 1.12) = \$7,500$

Free Margin will rise to  $(10,000 - 5,600 + 7,500) = 11,900$  assuming the position was not

closed yet. Margin level will rise to  $100 * 17,500 / 5600 = 312.5\%$

**Loss Scenario:**

If the EUR/USD rate falls to 1.105, the trader will make a loss of  
 $EUR 500,000 * (1.105 - 1.12) = \$( -7,500)$

Free Margin will fall to  $(10,000 - 5,600 + (-7,500)) = (-3100)$  assuming the position was

not closed yet. Margin level will fall to  $100 * 2500 / 5600 = 44.6\%$

Since the margin level is below 100%, trader could not open new positions

If the EUR/USD continues to fall and reaches 1.101, the trader will make a loss of  
 $EUR 500,000 * (1.101 - 1.12) = \$( -9,500)$ .

Margin Level will fall to  $100 * 500 / 5600 = 8.9\%$ .

Since the Margin Level is now below the stop out level of 10%, the trade will automatically be closed by the system.

**Example 2**

Client deposits \$10,000 and sets the maximum leverage to 1:300. The trader could open positions of up to  $10,000 * 300 = \$3,000,000$  which is equal to 30 Lots.

The client opens a BUY position of 20 LOT EUR/USD at 1.12.

Volume of the particular position will be  $(EUR 2,000,000 * 1.12) = \$2,240,000$

Margin will be  $(2,240,000/300) = \$7,467$ .

Free Margin will be  $(10,000 - 7,467) = \$2,533$

Margin Level will be  $100 * 10,000 / 7,467 = 133.92\%$

**Profit Scenario:**

If the EUR/USD rate rises to 1.135, the trader will make a gain of  
 $EUR 2,000,000 * (1.135 - 1.12) = \$30,000$

Free Margin will rise to  $(10,000 - 7,467 + 30,000) = 32,533$  assuming the position was not

closed yet. Margin level will rise to  $100 * 40,000 / 7,467 = 535.69\%$

**Loss Scenario:**

If the EUR/USD rate falls to 1.11625, the trader will make a loss of

$$\text{EUR } 2,000,000 * (1.11625 - 1.12) = \$(-7,500)$$

Free Margin will fall to  $(10,000 - 5,600 + (7,500)) = -3,100$  assuming the position was not closed yet.

Margin level will fall to  $100 * 2500 / 7,467 = 33.48\%$

Since the margin level is below 100%, trader could not open new positions

If the EUR/USD continues to fall and reach 1.11525, the trader will have a loss of

$$\text{EUR } 2,000,000 * (1.11525 - 1.12) = \$(-9,500)$$

Margin Level will fall to  $100 * 500 / 7,467 = 6.69\%$ . Since the Margin Level is now below the stop out level of 10% the trade will automatically be closed by the system.