

Frequently Asked Questions Re: Forex Margin Trading

1. What is margin?

To ensure you can cover any losses you might incur on your positions, we require a portion of your account equity to be set aside and allocated as used margin. The available margin in your account will limit the size of the positions you can open.

These margin requirements and rates are established by The Investment Industry Regulatory Organization of Canada (IIROC). These requirements and rates are periodically updated by IIROC and are subject to change at any time without notice and in line with market conditions.

Margin requirements also vary by instrument traded and given the base currency of your account.

The term leverage is often used to describe the margin requirements. Our Trading Conditions display both Margin & Leverage Amounts. Margin is displayed as a Percentage (%) while Leverage is displayed as a Ratio.

2. Why trade on margin?

Leveraged trading, also known as margin trading, describes the process that allows the trader to open positions investing only a fraction of the position price, while borrowing funds from the broker to cover the rest. Leveraged trading can boost a trader's profits, but simultaneously increases the associated risks. CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. 71% of retail investor accounts lose money when trading CFDs with this provider. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

3. How is margin calculated?

These margin requirements and rates are established by The Investment Industry Regulatory Organization of Canada (IIROC). These requirements are periodically or at any time without notice updated by IIROC in line with market conditions. Margin requirements are dependent on the asset the trader wishes to trade and vary given the base currency of your account. For more information see <http://www.iiroc.ca/news/Pages/Notices.aspx>

Below is an example of a margin calculation for a EURUSD position.

USD Account – For a 1,000 EUR/USD Trade, with a Margin Requirement of 3.00% or Leverage of 33:1, the calculation are as follows:

Percentage Margin Requirement: $1,000 \times 0.03 = \text{€}30.00$ (\$34.8 USD)

Leverage Margin Requirement: $1,000 / 33.333 = \text{€}30.00$ (\$34.8 USD)

4. What is a Maintenance Margin Warning and when will I receive one?



Maintenance margin is the minimum amount required to maintain your open positions. If your account equity falls below the Maintenance Margin level, you will receive a Maintenance Margin Warning by email. You will have five days from 21:00 GMT on the day that the Margin Warning Status is initiated to bring your account equity back above this level. You can elect to add additional funds to your account or close existing positions to bring your account equity above the required Maintenance Margin level. Note that it is also possible that beneficial market movements during this period may also bring your account equity above the required Maintenance Margin level. If you fail to do so, your positions will be triggered to liquidate at the end of the fifth day. Should your equity continue to fall to the Liquidation Margin Level, your positions will be automatically liquidated.

The Liquidation Margin is typically equal to 10% of the Initial/Maintenance Margin. If your account falls to the Liquidation Margin level, your open positions will be triggered to immediately be liquidated, even though you may still be in the five-day grace period offered by the Maintenance Margin Warning.

5. Where can I view Friedberg Direct's up-to-date margin requirements?

Up-to-date margin requirements for each of the instruments offered are available on our website which can be accessed here, <https://www.avatrade.ca/trading-info/financial-instruments-index>

6. How is margin represented in the Accounts Window?

Order /	Time	Type	Size	Symbol	Price
 77142331	2020.04.29 13:54:09	buy	0.01	eurusd	1.08641
 Balance: 1 000.00 EUR Equity: 1 000.06 Margin: 33.33 Free margin: 966.73 Margin level: 3000.18%					

Here is an example of the trade window a trader would see when logged in on the trading platform. From this window, the client's used margin, free margin and margin level can clearly be seen.

7. What are my options after I receive a Margin Warning?

There are several options available to a trader upon receiving a Margin Warning:

- Deposit Funds to sustain your positions
- Close your positions to bring your equity back above your maintenance margin >100%
- The market moves in your favour bringing your equity back above the used Maintenance Margin requirement which causes your Margin warning to be reset and prevents trades being liquidated

- Take no action and assume the risk that if your account remains in Maintenance Margin Warning < 100% for greater than 5 days, some of your trades will be closed to satisfy the Margin requirements.
- Equity falls to the liquidation margin level. This occurs when equity drops below <10% of used margin. If this occurs at any time your positions will be liquidated, starting with the largest losing position until equity level returns to >10%.

8. When will my positions be liquidated?

If your account remains in Maintenance Margin Warning < 100% for greater than 5 days, some of your trades will be closed to satisfy the Margin requirements. At the end of the fifth day of a Margin Warning, the process of account liquidation occurs at approximately 21:00 GMT unless your positions reach the Liquidation Margin level before. Weekends and bank holidays will count against the five days you are given to bring the account equity above the Maintenance Margin Requirement.

If the fifth day falls on a Saturday, open positions will be liquidated at market open on Sunday at approximately 21:00 GMT.

9. How do I automatically reset my margin?

You may reset the Maintenance Margin Requirement by either:

- 1) Depositing additional funds to your account to increase your equity above 100% Maintenance Margin Requirement: or
- 2) Closing some of your open positions, which may decrease the Maintenance Margin Requirement below your current equity.