



## Friedberg Direct Margin Call & Margin Warning System

### What is margin?

Margin can be thought of as a good faith deposit to maintain open positions. This is not a fee or a transaction cost, it is simply a portion of your account equity set aside and allocated as a margin deposit. At Friedberg Direct, margin requirements are derived from rates published by IIROC.

### Why trade on margin?

Trading on Margin (Trading with Leverage\*) is a common attraction of the forex market. It allows you to open trades that are larger than the capital in your account. Trading on margin can both positively and negatively affect your trading experience as both profits and losses can be dramatically amplified.

### How is margin calculated?

The table below displays the latest IIROC margin rates that measure and track the volatilities of these currencies sorted by the Account Base currency (US\$ or CAD\$). Margin rates are subject to IIROC regulation and may change at any time without notice. It is the trader's responsibility to ensure sufficient margin is in the account at all times.

	Account Base Currency						
	USD	EUR	JPY	GBP	CHF	AUD	CAD
USD	N/A	3.00%	3.00%	3.00%	3.00%	3.00%	1.60%
CAD	1.60%	4.90%	4.90%	4.90%	4.90%	4.90%	N/A
	Account Base Currency						
	MXN	SEK	NOK	NZD	CNY	ZAR	TRY
USD	3.00%	3.00%	3.00%	3.00%	25.00%	25.00%	25.00%
CAD	4.90%	4.90%	4.90%	5.20%	25.00%	25.00%	26.90%

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

For every instrument traded on the platform, Margin Requirement denoted as [%] is displayed in the [Margin] column of the Trading Conditions page – [www.avatrade.ca/trading-info/trading-conditions](http://www.avatrade.ca/trading-info/trading-conditions)

### What is the difference between Initial, Maintenance, and Liquidation Margin?

- **Initial Margin:** This is the amount required to open a new position.
- **Maintenance Margin:** This is the minimum amount required to maintain your open positions. If your account equity falls below the Maintenance Margin level (Usbl Maint Mr = 0), you will receive a Maintenance Margin Warning at which point you will no longer be able to place new trades. **You will have approximately five days from 17:00 ET 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.  
Please note that weekends and bank holidays will count against the five days you are given to bring the account equity above the Maintenance Margin Requirement. See below for details on when positions will be triggered to liquidate on the fifth day of a Margin Warning.
- **Liquidation Margin:** The Liquidation Margin is equal to 10% of the Initial/Maintenance Margin. If your account falls to the Liquidation Margin level, all of 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.

#### How is margin represented in the platform?

- [Equity] is the "floating" value of funds in the account, including profits and losses on open positions.
- [Usd Mr] is Used Margin, the Liquidation Margin Level. This represents 10% of Used Maintenance Margin.
- [Usbl Mr] is Usable Margin. All positions are automatically liquidated when this reaches zero.
- [Usbl Mr %] is  $[Usbl MR]/[Equity] \times 100\%$ . A Maintenance Margin Warning is triggered when this reaches 90%. As above, all positions are automatically liquidated when this reaches zero.
- [Usd Maint Mr] is the Used Maintenance Margin. This is the margin deposit required to maintain existing positions.
- [Usbl Maint Mr] is Usable Maintenance Margin. This is the margin deposit available for opening new positions. A Maintenance Margin Warning is triggered when this reaches zero.
- [Usbl Maint Mr %] is  $[Usbl Maint Mr]/[Equity] \times 100\%$ . As above, a Maintenance Margin Warning is triggered when this reaches zero.
- [MC] The letters in the "MC" column denote the status of the margin call:
  - o "N" means there is sufficient Maintenance Margin.
  - o "W" means a Maintenance Margin Warning has been issued.
  - o "Y" means liquidation of positions due to insufficient margin.

**Let's look at an example:**

In the Trading Platform of this Canadian denominated account, it is noted that the EURUSD MMR is 500.

In the example below you have an account equity of CAD 5,000. You place a long 10K EURUSD position, requiring CAD 500 in margin. Your liquidation margin is set at CAD 50. If your equity falls to CAD 500, (Usable Maintenance Margin % = 0%) & (Usable Margin % = 90%) you will receive a margin call warning. If your equity continues to fall to CAD 50 (Usable Margin % = 0), your positions will be liquidated.

**1. You open 10K EURUSD Position.**

Equity	Usd Mr	Usbl Mr	Usbl Mr%	Usd Maint Mr	Usbl Maint Mr	Usbl Maint Mr %	MC
CAD 5000	CAD 50	CAD 4,950	99%	CAD 500	CAD 4,500	90%	N

You open your 10K EURUSD position. You have CAD 4500 in Usable Maintenance Margin, enough to place another 10K EURUSD position (requiring CAD 500) if you wanted. MC = N (No Margin Call or Warning)

**2. Your equity falls to CAD 800.**

Equity	Usd Mr	Usbl Mr	Usbl Mr%	Usd Maint Mr	Usbl Maint Mr	Usbl Maint Mr %	MC
CAD 800	CAD 50	CAD 750	93%	CAD 500	CAD 300	62%	N

You only have CAD 300 in Usable Maintenance Margin, which isn't enough to enter another 10K EURUSD position (requiring CAD 500) if you wanted. MC = N (No Margin Call Warning).

**3. Your equity falls to CAD 500.**

Equity	Usd Mr	Usbl Mr	Usbl Mr%	Usd Maint Mr	Usbl Maint Mr	Usbl Maint Mr %	MC	MC
CAD 500	CAD 50	CAD 450	90%	CAD 500	CAD 0	0%	W	N

**Margin Warning**

When your Usable Maintenance Margin % reaches 0% (or when your Usable Margin % = 90%), you will receive a Margin Warning. When a Margin Warning triggers you will see a "W" in the MC column on the Trading Station. At this point you have approximately five days after 17:00 ET on the day of the Margin Call warning to bring your account equity back above the Maintenance Margin Level (Usbl Maint Mr). If

at any time during this period, your account equity continues to fall to the Liquidation Margin Level of USD 150.00 (Usbl Mr = 0), your positions will be triggered to immediately be liquidated and the five day grace period becomes ineffective. Please note that weekends and bank holidays will count against the five days you are given to bring the account equity above the Maintenance Margin requirement.

#### 4. Your equity falls to CAD 50.

If your positions continue to move against you and your Usable Margin [Usbl Mr] and Usable Margin % [Usbl Mr%] fall to zero, your positions will be liquidated. (the MC column will appear as "Y")

Equity	Usd Mr	Usbl Mr	Usbl Mr%	Usd Maint Mr	Usbl Maint Mr	Usbl Maint Mr %	MC
CAD 50	CAD 50	CAD 0	0%	CAD 500	CAD 0	0%	Y

#### Is there a debit balance risk? Can I lose more money than I deposited?

Not with Friedberg Direct. It is our policy to credit accounts to a zero balance when debit balances occur as a result of trading. One of the greatest concerns traders have about leverage is that a sizable loss could result in owing money to their broker. At Friedberg Direct, your maximum risk of loss is limited by the amount in your account. All accounts are tracked by our "Margin Watcher" feature. With the Margin Watcher feature, if account equity falls below margin requirements, the Trading Station will trigger an order to close all open positions.

#### What are my options after I receive a Margin Warning?

There are five possible scenarios that may occur after you receive a Margin Warning:

- **Scenario #1:** You deposit more funds. If within five days you deposit enough funds to bring your equity back above the Used Maintenance Margin requirement, your Margin Warning will be automatically reset in real time (the MC column will appear as "N").
- **Scenario #2:** You close out positions. If within five days you are able to close out positions which brings your equity back above your Used Maintenance Margin requirement, your Margin Warning will be automatically reset in real time (the MC column will appear as "N").
- **Scenario #3:** The market turns in your favor. The market may turn in your favor bringing your equity back above your Used Maintenance Margin requirement. If at the time of the daily maintenance margin check at 16:00, your equity is above the Used Maintenance Margin requirement, your Margin warning will be reset between 16:45 and 18:00 ET (the MC column will appear as "N").
- **Scenario #4:** You do nothing. If after five trading days your margin remains below your Used Maintenance Margin requirement, your positions will be liquidated at approximately 16:00 ET (or 17:00 ET if the fifth day falls out on a Sunday) (the MC column will appear as "Y").
- **Scenario #5:** Your account equity falls to the Liquidation Margin Level. If at any time your Usable Margin [Usbl Mr] falls to zero, your positions will be triggered to immediately liquidate.

### **When will my positions be liquidated?**

Accounts will be triggered to liquidate at 16:00 ET (or 17:00 ET on if the fifth day falls on Sunday) at the end of the fifth day of a Margin Warning unless your positions reach the Liquidation Margin level before. Please note that 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 17:00 ET.

### **Liquidation Table**

#### **TIME OF MARGIN WARNING (ET) TRIGGERED TO LIQUIDATE (ET)**

Sunday 17:00 - Monday 16:59	Sunday 17:00
Monday 17:00 - Tuesday 16:59	Sunday 17:00
Tuesday 17:00 - Wednesday 16:59	Monday 16:00
Wednesday 17:00 - Thursday 16:59	Tuesday 16:00
Thursday 17:00 - Friday 16:59	Wednesday 16:00

### **How do I automatically reset my margin?**

- You can close out existing positions to free up equity\*\* or you can deposit enough additional funds to bring your account equity back above the Maintenance Margin Requirement (Usd Maint Mr). Friedberg Direct processes most credit card deposits instantaneously, though credit card deposits can take up to 24 hours.

### **What if the market moves back in my favor?**

- There will be a daily maintenance margin check at 16:00 ET. If the market has moved back in your favor at that time such that your Usable Maintenance Margin (Usble Maint Mr) is greater than 0, your Margin Status will be reset (MC = N). You may contact Friedberg Direct if you wish to have your margin reset earlier.

\* Leverage is a double-edged sword and can dramatically amplify your profits. It can also just as dramatically amplify your losses. Trading foreign exchange with any level of leverage may not be suitable for all investors.

\*\* Subject to available liquidity, the trading desk is open from 17:15 (ET) Sunday afternoon to 16:55 (ET) on Fridays. Orders placed prior may be filled until 17:00 (ET).