FXTM
Gives you more

CALCULATING FOREX MARGIN REQUIREMENTS WITH FLEXIBLE LEVERAGE

In this document, you will find the margin requirements for FXTM. When trading, you must maintain a certain level of funds in your account (the necessary margin), also known as a good faith deposit. Calculating and understanding your necessary margin requirements beforehand allows you to apply good risk management and avoid any unnecessary margin calls resulting in the closing of a position due to not enough margin in your account. Margin requirements on demo accounts are equivalent to those on corresponding live accounts.

CALCULATING FOREX MARGIN REQUIREMENTS WITH FLEXIBLE LEVERAGE FOR STANDARD/ADVANTAGE/ADVANTAGE PLUS ACCOUNTS

STEP 1

Assume you open Position #1 Buy 1 lots GBPUSD 1.4584 for a USD Denominated Account.

The notional value is: 1 * 100 000 * 1.4584 = **145 840 USD.** Since the notional value of **145 840 USD** is not above 200 000 USD, the Leverage offered is 1:1000.

Margin is: 145 840 / 1000 = 145.84 USD.

STEP 2

You open position # 2 Buy 5 lots EURUSD 1.3175.

The notional value is: 5 * 100 000 * 1.3175 = **658 750 USD.**

The aggregate notional value of Position #1 and Position #2 is:

145 840 (for position # 1) + 658 750 (for position # 2) = **804 590.00 USD.**

In this case, the aggregate notional value of open positions is above 200 000 USD, but under 2,000,000 USD.

Thus, a leverage of 1:1000 is provided for the first 200 000 USD, and a leverage of 1:500 for the remaining 604 590 USD.

Margin is: 200 000 / 1000 + 604 590 / 500 = 1 409.18 USD.

STEP 3

Assume you open Position #3 Buy 10 lots GBPUSD 1.4590.

The notional value is: 10 * 100 000 * 1.4590 = 1 459 000 USD.

The aggregate notional value of all three positions is:

145 840 (for position # 1) + 658 750 (for position # 2) + 1 459 000 (for position # 3) = **2 263 590 USD.**

Now the aggregate notional value of open positions is above 2 000 000 USD, but under 6 000 000 USD.

Thus, a leverage of 1:1000 is provided for the first 200 000 USD, a leverage of 1:500 for the next 1 800 000 USD, a leverage 1:200 for the remaining amount.

Margin is: 200 000 / 1000 + 1 800 000 / 500 + 263 590 / 200 = 5 117.95 USD.

STEP 4

Assume you open Position #4 Buy 30 lots EURUSD 1.3164.

The notional value is: 30 * 100 000 * 1.3164 = **3 949 200.00 USD.**

The aggregate notional value of all four positions is:

145 840 (for position # 1) + 658 750 (for position # 2) + 1 459 000 (for position # 3) + 3 949 200 (for position # 4) = **6 212 790.00 USD.**

Now the aggregate notional value of open positions is above 6 000 000 USD, but less than 8 000 000 USD.

Thus, a leverage of 1:1000 is provided for the first 200 000 USD, a leverage of 1:500 for the next 1 800 000 USD, leverage 1:200 for the next 4 000 000 and leverage 1:100 for the remaining amount.

Margin is: 200 000 / 1000 + 1 800 000 / 500 + 4 000 000 / 200 + 212 790 / 100 = 25 927.90 USD

STEP 5

Assume you open Position #5 Buy 20 lots EURUSD 1.3188

The notional value is: 20 * 100 000 * 1.3188 = 2 637 600.00 USD.

The aggregate notional value of all five positions is:

145 840 (for position # 1) + 658 750 (for position # 2) + 1 459 000 (for position # 3) + 3 949 200 (for position # 4) + 2 637 600 (for position # 5) = 8 850 390.00 USD.

Thus, a leverage of 1:1000 is provided for the first 200 000 USD, a leverage of 1:500 for the next 1 800 000 USD, a leverage 1:200 for the next 4 000 000, a leverage 1:100 for the next 2 000 000 and a leverage of 1:25 for the remaining amount.

Margin is: 200 000 / 1000 + 1 800 000 / 500 + 4 000 000 / 200 + 2 000 000 / 100 + 850 390 / 25 = 77 815.60 USD

STEP 6

Let's suppose you close position #3 (Buy 10 lots GBPUSD 1.4590)

The notional value is: **1 459 000 USD.**

The aggregate notional value of all four positions is (taking into account the third position having been closed):

145 840 (for position # 1) + 658 750 (for position # 2) + 3 949 200 (for position # 4) + 2 637 600 (for position # 5) = **7 391 390.00 USD.**

When Position #3 was closed, the total notional value also decreases which leads to a decrease in the margin requirements. The part exceeding 8 000 000 USD is removed first and with it the 1:25 leverage.

Margin is: 200 000 / 1000 + 1 800 000 / 500 + 4 000 000 / 200 + 1 391 390 / 100 = 37 713.90 USD