Margin Information Document for 8TradeX Inc.

1. Introduction

This Margin Information Document provides a detailed explanation of how margin trading works on the 8TradeX Inc. platform. Margin trading allows you to open and maintain positions using leverage, which can amplify both potential profits and losses. It is essential to understand the concepts of required margin, free margin, margin level, margin call, and stop-out level to manage your trading account effectively.

2. Required Margin

2.1. Definition

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

2.2. Formula

The formula for calculating Required Margin is:

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

Contract Size: The size of the position you wish to open (e.g., 100,000 units for 1 Lot in Forex).

Lot Size: The number of lots you are trading.

Open Price: The price at which the position is opened.

Leverage: The leverage ratio applied to your account (e.g., 1:30).

2.3. Example

Assume you have a trading account with a leverage ratio of 1:30 and wish to buy 1 Lot (100,000 units) of AUD/USD at an opening price of 0.659.

Margin = (100,000 × 1 × 0.659) / 30 = 2,196.67 USD

This means you need 2,196.67 USD in your account to open and maintain this position.

3. Free Margin

3.1. Definition

Free Margin is the amount of equity in your account that is not tied up in open positions. It represents the funds available to open new positions or absorb losses.

3.2. Formula

Free Margin = Equity – Used Margin

Equity: The current value of your account, including profits or losses from open positions.

Used Margin: The total margin required for all open positions.

3.3. Example

If your account has an equity of 50,000 USD and the Used Margin for your open positions is 10,983.33 USD, your Free Margin would be:

Free Margin = 50,000 – 10,983.33 = 39,016.67 USD

4. Margin Level

4.1. Definition

Margin Level is a percentage value that indicates the health of your trading account. It is calculated by comparing your Equity to the Used Margin.

4.2. Formula

Margin Level = (Equity / Used Margin) × 100

A Margin Level above 100% means you have sufficient funds to open new positions.

A Margin Level below 100% means you may not be able to open new positions.

A Margin Level below the Stop-Out Level (50% for retail clients, 20% for professional clients) will trigger the automatic closure of your positions.

4.3. Example

If your Equity is 49,500 USD and your Used Margin is 10,983.33 USD, your Margin Level would be:

Margin Level = (49,500 / 10,983.33) × 100 = 450.68%

5. Margin Call and Stop-Out Level

5.1. Margin Call

A Margin Call occurs when your Margin Level falls below a certain threshold (70% for retail clients, 100% for professional clients). At this point, you are advised to deposit additional funds to avoid the automatic closure of your positions.

5.2. Stop-Out Level

The Stop-Out Level is the point at which your Margin Level is so low that the system will automatically close your positions to prevent further losses. For retail clients, the Stop-Out Level is 50%, and for professional clients, it is 20%.

6. *Practical Examples*

6.1. *Example 1: Opening a Position*

Account Balance: 50,000 USD

Leverage: 1:30

Position: Buy 5 Lots of AUD/USD at 0.659

Volume of Position: 500,000 AUD × 0.659 = 329,500 USD

Used Margin: 329,500 / 30 = 10,983.33 USD

Floating P/L: -500 USD (immediately after opening the position)

Equity: 50,000 – 500 = 49,500 USD

Free Margin: 49,500 – 10,983.33 = 38,516.67 USD

Margin Level: (49,500 / 10,983.33) × 100 = 450.68%

6.2. *Profit-Making Scenario*

If the AUD/USD rate rises to 0.681:

Profit: (0.681 – 0.659) × 5 × 100,000 = 11,000 USD

Equity: 50,000 + 11,000 = 61,000 USD

Free Margin: 61,000 – 10,983.33 = 50,016.67 USD

Margin Level: (61,000 / 10,983.33) × 100 = 555.39%

6.3. *Loss-Making Scenario*

If the AUD/USD rate falls to 0.579:

Loss: (0.579 – 0.659) × 5 × 100,000 = -40,000 USD

Equity: 50,000 – 40,000 = 10,000 USD

Free Margin: 10,000 – 10,983.33 = -983.33 USD

Margin Level: (10,000 / 10,983.33) × 100 = 91.05%

At this point, you cannot open new positions because the Margin Level is below 100%.

If the AUD/USD rate continues to fall to 0.567:

Loss: (0.567 – 0.659) × 5 × 100,000 = -46,000 USD

Equity: 50,000 – 46,000 = 4,000 USD

Margin Level: (4,000 / 10,983.33) × 100 = 36.42%

Since the Margin Level is now below the Stop-Out Level of 50%, the system will automatically close your positions.

7. Important Notes

No Obligation for Margin Calls: 8TradeX Inc. is not obligated to provide a Margin Call. It is your responsibility to monitor your Margin Level and manage your positions accordingly.

Stop-Out Level: When your Margin Level falls below the Stop-Out Level, your positions will be automatically closed without prior notice.

Risk Management: Always use risk management tools such as stop-loss orders and take-profit orders to protect your account from excessive losses.

8. Conclusion

Margin trading can enhance your trading potential, but it also involves significant risks. By understanding the concepts of Required Margin, Free Margin, Margin Level, Margin Call, and Stop-Out Level, you can better manage your trading account and minimize potential losses.

If you have any questions or need further clarification, please contact our support team at:

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