

DataWave Tech Ltd – MARGIN INFORMATION

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

Formula: $\text{Margin} = (\text{Contract size} * \text{Lot Size} * \text{Open Price}) / \text{Leverage}$.¹

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 = 100,000 EUR against USD

If the EUR/USD opening price is 1.12, $\text{Margin} = (100,000 * 1 * 1.12) / 100 = 1,120 \text{ USD}$

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.

$\text{Free margin} = \text{Equity} - \text{Margin}$

A percentage value based on the amount of usable margin and equity. If the margin level is less than 100%, the trader may be prevented from 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.

The trader may have their open orders automatically closed and may be prevented from placing further orders when their margin level falls below the stop out level.

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

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

It should be noted that DataWave Tech Ltd does not bear any obligation towards providing a margin call to any trader. Nevertheless, traders are advised to maintain a margin level above 100%.

Margin call is at: 100% and the **Stop Out** level is at: 20%. When the stop out level is reached, the system will start closing your positions automatically, without prior notice.

Example 1

A trader deposits 10,000 USD 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 that the stop out level is at 10%:

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

The volume of the particular position will be $(500,000 \text{ EUR} * 1.12) = 560,000 \text{ USD}$. The margin will be $(560,000 / 100) = 5,600 \text{ USD}$.

¹ Based on the above formula, margin is calculated in Quote CCY for Forex Pairs.

Free Margin will be $(10,000 - 5,600) = 4,400$ USD
Margin Level will be $[(10,000/5600) * 100] = 178.57\%$

Profit-making Scenario:

If the EUR/USD rate rises to 1.135, the trader will make a gain of $[(500,000 \text{ EUR} * 1.135) - 560,000 \text{ USD}] = 7,500$ USD.

Free Margin will rise to $(17,500 - 5,600) = 11,900$ assuming the position was not closed yet.
Margin level will rise to $[(17,500/5600)*100] = 312.5\%$

Loss-making Scenario:

If the EUR/USD rate falls to 1.105, the trader will make a loss of $[560,000 \text{ USD} - (500,000 \text{ EUR} * 1.105)] = -7,500$ USD.

Free Margin will fall to $(2,500 - 5,600) = -3100$, assuming the position was not closed yet.
Margin level will fall to $[(2500/5600)*100] = 44.6\%$.
Since the margin level is below 100%, the trader could not open new positions.

If the EUR/USD price continues to fall and reaches 1.101, the trader will make a loss of $[560,000 \text{ USD} - (500,000 \text{ EUR} * 1.101)] = -9500$ USD.

Margin Level will fall to $[500/5600 * 100] = 8.9\%$. Since the Margin Level is now below the stop out level of 10%, the trade will automatically be closed by the system.

Example 2

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

The trader then opens a BUY position of 20 LOT EUR/USD at 1.12.
The volume of the particular position will be $(2,000,000 \text{ EUR} * 1.12) = 2,240,000$ USD. The margin will be $(2,240,000/300) = 7,467$ USD.
Free Margin will be $(10,000 - 7,467) = 2,533$ USD
Margin Level will be $[(10,000/7,467)*100] = 133.92\%$

Profit-making Scenario:

If the EUR/USD rate rises to 1.135, the trader will make a gain of $[(2,000,000 \text{ EUR} * 1.135) - 2,240,000 \text{ USD}] = 30,000$ USD.

Free Margin will rise to $(40,000 - 7,467) = 32,533$, assuming the position was not closed yet.
Margin level will rise to $[(40,000/7,467)*100] = 536.69\%$

Loss-making Scenario:

If the EUR/USD rate falls to 1.11625, the trader will make a loss of $[2,240,000 \text{ USD} - (2,000,000 \text{ EUR} * 1.11625)] = -7,500$ USD.

Free Margin will fall to $(2,500 - 5,600) = -3100$, assuming the position was not closed yet.

Margin level will fall to $[(2500/7,467)*100] = 33.48\%$.

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

If the EUR/USD continues to fall and reach 1.1155, the trader will have a loss of $[2,240,000 \text{ USD} - (2,000,000 \text{ EUR} * 1.115)] = 9,500 \text{ USD}$.

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

Account Type	Margin Call Level	Stop Out Level
Basic	100%	20% – 100%
Gold	100%	20% – 100%
Platinum	100%	20% – 100%
VIP	100%	20% – 100%