FXTM
gives you more

How to calculate leverage and margin requirements

What is leverage and flexible leverage?

Trading with **leverage** means you're able to boost your trading power by taking advantage of additional capital which we offer you as a 'loan'. Leverage offered is shown as a ratio, such as 1:100, meaning that for every $1 you put down to trade, we'll offer you $100. The maximum leverage ratio depends on a combination of criteria, including your account type, the asset being traded, and the notional value of the trade. The maximum leverage and margin amounts are outlined per account, asset, and trade value in the tables above.

FXTM offers **flexible leverage**. This means that even if you qualify for the maximum amount of leverage, you're able to select a lower leverage amount to trade with, if you prefer. If you choose to apply a lower leverage amount, please note that this can't be changed once a position has been opened. In addition, your chosen leverage will be applied to any subsequent positions for the same asset.

IMPORTANT: Trading with leverage will amplify both positive and negative results. Effective risk management strategies should be applied to minimise any potential loss.

***NOTE: Clients trading under our Exinity Capital East Africa Ltd. entity are restricted to a maximum leverage of 1:400 across all accounts and assets.**

What is margin and floating margin?

When trading with leverage, **margin** is the amount of capital you're required to have as available funds in your account. As the broker is essentially extending a 'loan', the margin requirement can be considered as the 'collateral' to cover any potential losses on open positions. Margin is expressed as a percentage of the notional value of the applicable open positions.

Floating margin means that the margin requirement will change as the value of positions change due to market fluctuations. If your available funds drop below the margin requirement, you'll be asked to add a further deposit to bring your account in line with requirements. This is called a **margin call**. Failure to meet the margin requirements following a margin call could result in positions being closed and losses incurred.

What is notional value? How to calculate it.

Notional value is used in derivatives trading, such as trading Forex CFDs, and is calculated by multiplying the lot size by the currency market price of the underlying asset and the contract size.
The formula is shown as: **Notional value = Lot size x contract size x market price.**

Note: If the base currency of your trading account is different to the asset currency, you'll need to divide the result of the formula by the currency conversion rate for the accurate notional value. This is show as: **Notional value = (Lot size x contract size x market price) / currency conversion rate.**

NOTE: Customers under our Exinity Capital East Africa Ltd are restricted to a maximum leverage of 1:400 across all accounts and assets, and any leverage above this amount shown in the rate cards or calculations should be adjusted to 1:400.

Calculated examples of margin requirements for trades

Example 1 – Trading Forex:

A trader with an Advantage trading account, based in USD, wants to open a position of 1.00 lot on EURUSD at a market price of 1.08206. The contract size for EURUSD is 100,000. As the base currency (USD) is the same as the asset currency (USD), we don't need to include a currency conversion. To calculate the notional value of the position, we simply multiply the number of lots by the contract size and then by market price.

Notional value = 1.00 x 100,000 x 1.08206 = 108,206.00 USD

Referring to the Forex Leverage and Margin rate card, the following rates are applicable for the levels shown.

FOREX MAJORS		
Notional Value USD	Leverage Offered*	Floating Margin %
0 - 100,000	1:3000	0.03%
100,001 - 700,000	1:1000	0.10%

For the sake of our example, we'll assume the account qualifies for the maximum leverage of 1:3000. This means that for the first 100,000.00 USD, leverage of 1:3000 is used and 0.03% margin is required, and for the remaining 8,206.00 USD, leverage of 1:1000 is applied and margin of 0.10% is needed.

To calculate the margin amounts for each level, we divide the currency amount by the leverage value:

Level 1 = 100,000.00 USD / 3,000 = 33.33 USD
Level 2 = 8,206.00 USD / 1,000 = 8.21 USD
Total margin required = 33.33 USD + 8.21 USD = 41.54 USD

If a lower leverage is offered or selected, it replaces the maximum leverage amount for all applicable levels. So, let's imagine that our trader opts for leverage of 1:1000 for Forex. In this case, the required margin would be calculated as below:

Level 1 = 100,000.00 USD / 1,000 = 100.00 USD
Level 2 = 8,206.00 USD / 1,000 = 8.21 USD
Total margin required = 100.00 USD + 8.21 USD = 108.21 USD

Example 2 – Trading Indices:

A trader with an Advantage Plus account, based in USD, wants to open a position of 1,000.00 lots on JP225 (Nikkei 225) at a market price of 40,203.00. The contract size is 1. As the base currency (USD) differs from the asset currency (JPY), we'll need to include a currency conversion in our calculation. To calculate the notional value of the position, we multiply the number of lots by the contract size and market price and then divide by the conversion rate for JPY to USD, which, for this example, is 151.331.

Notional value = 1,000.00 x 1 x 40,203.00 = 40,203,000.00 / 151.331 = 265,662.69 USD

Referring to the Indices Leverage and Margin rate card, the following levels apply:

JP225		
Notional Value USD	Leverage Offered*	Floating Margin %
0 - 100,000	1:500	0.20%
100,001 - 600,000	1:200	0.50%

As an account qualifying for the maximum leverage, the first 100,000.00 USD, leverage of 1:500 is used and 0.20% margin is required, and for the remaining 165,662.69 USD, leverage of 1:200 is applied and margin of 0.50% is needed.

To calculate the margin amounts for each level, we divide the currency amount by the leverage value:

Level 1 = 100,000.00 USD / 500 = 200.00 USD
Level 2 = 165,662.69 USD / 200 = 828.31USD
Total margin required = 200.00 USD + 828.31 USD = 1,028.31 USD

If our trader had elected for a maximum leverage amount of 1:200 for Indices, we adjust to:

Level 1 = 100,000.00 USD / 200 = 500.00 USD
Level 2 = 165,662.69 USD / 200 = 828.31USD
Total margin required = 500.00 USD + 828.31 USD = 1,328.31 USD

Example 3 – Trading Commodities:

A trader with an Advantage trading account, based in EUR, wants to open a position of 2.00 lots on BRN (BRENT) at a market price of 85.49. The contract size is 1,000. As the base currency (EUR) differs from the asset currency (USD), we'll need to include a currency conversion in our calculation. To calculate the notional value of the position, we multiply the number of lots by the contract size and market price, and then divide by the currency conversion rate for USD to EUR, which, for this example, is 1.07790.

Notional value = 2.00 x 1,000 x 85.49 = 170,980.00 / 1.07790 = 158,623.25 EUR

Referring to the Commodities rate card, the following levels apply:

BRENT		
Notional Value EUR	Leverage Offered*	Floating Margin %
0 - 100,000	1:500	0.20%
100,001 - 600,000	1:200	0.50%

For the sake of our example, we'll assume the account qualifies for the maximum leverage of 1:500. This means that for the first 100,000.00 EUR, leverage of 1:500 is used and 0.20% margin is required, and for the remaining 58,623.25 EUR, leverage of 1:200 is applied and margin of 0.50% is needed.

To calculate the margin amounts required for each level, we divide the currency amount by the leverage value, as shown below:

Level 1 = 100,000.00 EUR / 500 = 200.00 EUR
Level 2 = 58,623.25 EUR / 200 = 293.12 EUR
Total margin required = 200.00 EUR + 293.12 EUR = 493.12 EUR

If a lower maximum leverage is offered or selected, it replaces the maximum leverage amount for all applicable levels. So, let's imagine that our trader opts to take a maximum leverage amount of 1:200 for Indices. In this case, the required margin is calculated as such:

Level 1 = 100,000.00 EUR / 200 = 500.00 EUR
Level 2 = 58,623.25 EUR / 200 = 293.12 EUR
Total margin required = 500.00 EUR + 293.12 EUR = 793.12 EUR

Example 4 – Trading Cryptocurrencies:

A trader with an Advantage account, based in EUR, wants to open a position of 1.00 lot on Bitcoin at a market price of 70,662.69. The contract size is 1. As the base currency (EUR) differs from the asset currency (USD), we'll need to include a currency conversion in our calculation. To calculate the notional value of the position, we multiply the number of lots by the contract size and market price and then divide by the currency conversion rate for USD to EUR, which, for this example, is 1.07790.

Notional value = 1.00 x 1 x 70,662.69 = 70,662.60 / 1.07790 = 65,555.89 EUR

Referring to the Cryptocurrencies rate card, the following levels apply:

BITCOIN		
Notional Value USD	Leverage Offered*	Floating Margin %
0 - 5,000	1:1000	0.10%
5,001 - 10,000	1:500	0.50%
10,001 - 50,000	1:100	1.00%
50,001 - 200,000	1:10	10.00%

As an account qualifying for the maximum leverage, we can see that for the first 5,000 EUR, leverage of 1:1000 is used with 0.10% margin, the next 5,000 EUR has 1:500 leverage with 0.20% margin, for the following 40,000 EUR, 1:100 leverage is applied with 1.00% margin, and the remaining 15,555.89 EUR is calculated at 1:10 leverage and margin of 10.00%.

To calculate the margin amounts required for each level, we divide the currency amount by the leverage value, as shown below:

Level 1 = 5,000.00 EUR / 1,000 = 5.00 EUR
Level 2 = 5,000.00 EUR / 500 = 10.00 EUR
Level 3 = 40,000.00 EUR / 100 = 400.00 EUR
Level 4 = 15,555.89 EUR / 10 = 1,555.59 EUR
Total margin required = 5.00 EUR + 10.00 EUR + 400.00 EUR + 1,555.59 EUR = 2,060.59 EUR

If the trader opts for a lower maximum leverage amount of 1:100 for Cryptocurrencies, then we calculate the required margin as follows:

Level 1 = 5,000.00 EUR / 100 = 50.00 EUR
Level 2 = 5,000.00 EUR / 100 = 50.00 EUR
Level 3 = 40,000.00 EUR / 100 = 400.00 EUR
Level 4 = 15,555.89 EUR / 100 = 155.56 EUR
Total margin required = 50.00 EUR + 50.00 EUR + 400.00 EUR + 155.56 EUR = 655.56 EUR