

# Trading Risks

## **Slippage**

iFOREX endeavors to provide clients with the best pricing available and attempts to get all orders executed at the requested rate. However, there are times when, due to an increase in volatility or volume, orders may be subject to slippage. This most commonly occurs during fundamental news events, trading halts, weekends or other market gaps.

The volatility in the market may create conditions where orders are difficult to execute, since the price may fluctuate by many pips in a short time due to the extreme market movement. Although the client may request to execute at a certain price, the market may have moved significantly such that it is impossible to execute the order at the requested price and so the order will be executed at the best available price.

Once a stop loss order is triggered, it becomes an "at best market" order, and will be executed at the nearest possible rate. There is no guarantee it will be executed at any particular given price. Therefore, stop loss orders may incur slippage depending on market conditions.

It is important to note that slippage does not affect the negative balance protection, and you will never lose more than the amount invested, even if a slippage occurs.

## **Delays in Execution**

A delay in execution may occur for various reasons, such as technical issues with the trader's internet connection to the iFOREX servers, which may result in "hanging" orders. The FXnet Trading Station on a trader's computer may not be maintaining a constant connection with the iFOREX servers due to a lack of signal strength from a wireless or dialup connection. A disturbance in the connection path can sometimes interrupt the signal, and disable the FXnet Trading Station, causing delays in transmission of data between the trader's Trading Station and the iFOREX server. If at any time you are unable to access the FXnet Trading Station to manage your account, you may call the Trading Desk directly at +30-210-374-2555.

## **Hanging Orders**

iFOREX provides its clients with no dealing desk execution. During periods of high volume, hanging orders may occur. Generally, the order has been executed, but it is simply taking a few moments for it to be confirmed. During periods of heavy trading volume, it is possible that a queue of orders will form. That increase in incoming orders may sometimes create conditions where there is a delay in confirming certain orders. Depending upon the type of order placed, outcomes may vary. Depending upon the order type, the position may in fact have been executed, and the delay is simply due to heavy internet traffic.

Keep in mind that it is only necessary to enter any order once. Multiple entries for the same order may slow or lock your computer or inadvertently open unwanted positions.

## **Grayed Out Pricing**

iFOREX does not intentionally "gray out" prices; however, this is a condition that occurs on the opening of markets, when liquidity decreases, on weekends or when market makers that provide pricing are not actively making a market for particular currency pairs. At times, a severe increase in the difference of the spread may occur due to a loss of connectivity with or due to an announcement that has a dramatic effect on the market that dries out liquidity. Such graying out of prices or increased spreads may result in margin calls on a trader's account.

## **Hedging**

The ability to hedge allows a trader to hold both buy and sell positions in the same currency pair simultaneously. Traders have

the ability to enter the market without choosing a particular direction for a currency pair. While the ability to hedge is an appealing feature, traders should be aware of the factors that may affect hedged positions. This subject to the stop loss limitation set out below.

### **Stop Loss**

A Stop loss order is actually a limit order.

The Stop Loss order executes a deal at a relative loss, as determined by the client, at a rate inferior to the current market rate. The client can decide on a stop loss rate for opening or closing a position – increasing or decreasing his exposure. Using a Stop Loss order to open a position (or an exposure) is an order to buy or sell one financial asset against another, at an inferior rate to the market rate. Using a Stop Loss order to close a position or to decrease an exposure, is an order which executes an opposite position to an existing one/s (e.g. closing a position) at a rate inferior to the market rate.

A Stop Loss order is normally executed at the rate defined by the client, with the exception of the occurrence of extreme rate volatility during market trading hours (such as during dramatic news events), during trading halts or over the weekend, when the first trading day after the trading halt or weekend starts with considerably different opening rates to the market closing rates. In these circumstances, the order will be executed at the nearest possible rate (i.e. market rate during the execution (“at best market” order)). Please note that some currencies (e.g. TRY) or other instruments (e.g. commodities and indices) which are not traded on a 24 hours may experience a market gap on a daily basis, and are therefore more susceptible to slippage. Therefore, these instruments may experience more incidents of executing Stop Loss orders at best market rate.

### **Diminishing Margin**

A margin call may occur even when an account is fully hedged, since spreads may widen, causing the remaining margin in the account to diminish. Should the remaining margin be insufficient to maintain any open positions, the account may sustain a margin call, closing out any open positions in the account. Although maintaining a long and short position may give the trader the impression that his exposure to the market's movement is limited, if insufficient available margin exists and spreads widen for any period of time, it may certainly result in a margin call on all positions.

### **Rollover Costs**

This term refers to the interest either charged or applied to a trader's account for positions held "overnight" or every 48 hours (depending on the account type), meaning after Midnight (GMT) on iFOREX's Trading Station. It is important to note that the accumulative "overnight" rollover charges may be higher than the forward outright. When all positions are hedged in an account, although the overall net position may be flat, the account can still sustain losses due to the spread that occurs at the time rollover occurs.

### **Errors in Rates**

Online trading technology is not perfect and, in rare cases, this feed can be disrupted. This may only last for a moment, but when it does, spreads often become affected. During these rare occasions, iFOREX advises that clients avoid placing At Best orders. While it may be tempting to place an "arbitrage transaction", keep in mind that the prices are not real and your actual fill may be many pips away from the displayed price. In the event that trades are executed at rates not actually offered by iFOREX's, iFOREX reserves the right to reverse such trades, as they are not considered valid trades. Keep in mind these instances are usually rare, and by placing Market Range orders or not trading during these moments, traders can avoid the risk associated with the above scenarios.

### **Holiday/Weekend Execution**

#### **Trading Desk Hours**

During the European and North American winter, the weekly activity begins on Sunday at 22:00 GMT continuously until Friday, 21:00 GMT. During the Day Light Saving times in these regions, the weekly market activity begins on Sunday at 21:00 GMT and ends on Friday at 20:00. Market activity hours may vary due to public holidays, seasonal time adjustments, and unusual liquidity

conditions arises from exceptional global events. The open or close times may also be altered by the Trading Desk because it relies on prices being offered by financial institutions that provide liquidity for iFOREX.

Outside of these hours, most of the major world banks and financial centers are closed. The lack of liquidity and volume during the weekend impedes execution and price delivery.

### **Prices Updating Before the Open**

Shortly prior to the open, the Trading Desk refreshes rates to reflect current market pricing in preparation for the open. At this time, trades and orders held over the weekend are might be executed. Quotes during this time are not executable for new market orders. After the open, traders may place new trades, and cancel or modify existing orders.

### **Liquidity**

Please be aware that when markets tend to be thinner than usual, these thinner market conditions may result in wider spreads, as there are fewer buyers and sellers and iFOREX cannot guarantee a fixed spread.

### **Gapping**

Sunday's opening prices may or may not be the same as Friday's closing prices. At times, the prices on the Sunday open are near where the prices were on the Friday close. At other times, there may be a significant difference between Friday's close and Sunday's open. The market may gap if there is a significant news announcement or an economic event changing how the market views the value of a currency. Traders holding positions or orders over the weekend should be fully comfortable with the potential of the market to gap. One of the great things about trading at iFOREX is that outside of announced major holidays, the trading hours routinely close only once a week on the weekends, which corresponds with the hours of major banks and financial institutions. In contrast, most stock exchanges close five times each week, and can gap significantly on each day's open.

### **Weekend Risk**

Traders who fear that the markets may be extremely volatile over the weekend, that gapping may occur, or that the potential for weekend risk is not appropriate for their trading style, may simply close out orders and positions ahead of the weekend.

### **Margin Calls**

The idea of margin trading is that your margin acts as a good faith deposit to secure the larger notional value of your position. Margin trading allows traders to hold a position much larger than the actual account value. iFOREX's online trading platform has margin management capabilities, which allow for this high leverage. Of course, trading on margin comes with risk, since high leverage may work against you as much as it works for you. If account equity falls below margin requirements, the iFOREX Trading Station will trigger a Margin Call to close all open positions.

Please keep in mind that when the account's useable margin reaches zero, all open positions will be closed. This process is entirely electronic, and there is no discretion on iFOREX's part as to the order in which trades are closed. Such discretion would require iFOREX to actively monitor positions and accounts.

### **Indicative prices Displayed on the Platform**

It is important to make a distinction between indicative prices (displayed on charts) and tradable prices (displayed on the Trading Station). Indicative quotes are those that offer an indication of the prices in the market, and the rate at which they are changing. Market watchers, such as Reuters, S&P and Comstock, compile indicative quotes as a proxy for the market's actual movement. These prices are derived from a host of contributors such as banks and clearing firms, which may or may not reflect where iFOREX's liquidity providers are making prices. Indicative prices are usually very close to dealing prices. Indicative quotes only give an indication of where the market is. Executable quotes ensure finer execution and thus a reduced transaction cost. Equity and futures traders are used to prices being the same at any given time, regardless of which firm they are trading through or which charting provider they are using—and they often assume the same holds true for spot forex. Because the spot forex market is decentralized—meaning it lacks a single central exchange where all transactions are conducted—each forex dealer (market maker) may quote slightly different prices. Therefore, any prices displayed by a third party charting provider,

which does not employ the market maker's price feed, will reflect "indicative" prices and not necessarily actual "dealing" prices where trades can be executed.