Margin Calls

All AVATRADE accounts are Margin Leveraged accounts. Clients must maintain an adequate amount of margin to sustain your open positions, if your Equity Level drops to 10% of Used Margin, a Margin Call will occur on your account. It is the client's responsibility to maintain a sufficient level of margin in their account.

Example 1:

Clients Balance & Equity = US$600, No Open Positions, Used Margin = $0.00.

Client Buys 100,000 EURUSD at 1.3100,

Spread: ***0.0003 X 100,000 = $30.00****

Percentage Margin Requirement: ***100,000 x 0.005 = €500.00****

Balance = $600, Equity = $570, due to Spread Cost (3 pips), Used Margin = $500.

Price of the EURUSD then drops to 1.3044.

Open Position P/L = ***100,000 X (1.3044 – 1.3100 = -0.0056) = -$560.00***

Balance = $600, Equity = $40, due to Open Position P/L, Used Margin = $500.

Margin Call Formula: ***Equity < 10% Used Margin****

Margin Call Triggered:* *$40 (Equity) < $50 (Used Margin)****

**The clients equity dropped below 10% of Used Margin (Used Margin = $500, 10% Margin Call Level = $50, Equity = $40)*

In the above example a client can see exactly how a margin call can occur. The client here was long 100,000 EURUSD. The margin required to open this position was $500.00. As the price of EURUSD fell the loss on the position was large enough to cause the equity level to drop below 10% of Used Margin.

If the above condition (Equity < 10% Used Margin) happens to occur on a client's account then the following will occur:

1. On the AVATRADER platform, all positions in a client's account will be closed.

2. On the MT4 platform, the largest losing position in a client's account will be closed along with subsequent positions until the Equity Level returns above 10%.