FX Tiered Margining – Overview

Introduction to FX Tiered Margining

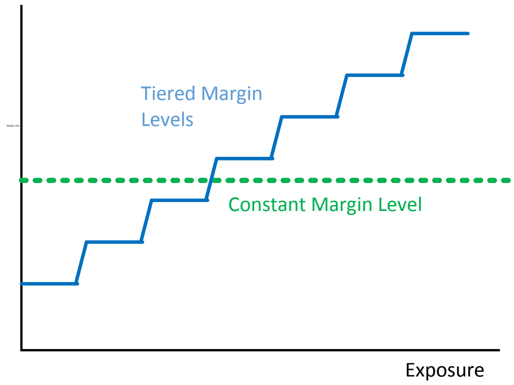
Cornèrtrader offers a tiered margin methodology for FX Spot, Forwards and FX Options. The tiering refers to applying different margin requirements to different exposure tiers, i.e. a low requirement for a small exposure and a higher requirement for larger exposures. The idea behind a tiered margin approach is to apply an increasing margin requirement as a function of exposure. The different exposure tiers are defined as an absolute number of a "Tiered Margin Base Currency" (TMBC) exposure across all currency pairs. In each exposure tier a margin rate applies for each currency pair.

This means that a currency pair exposure is converted to a TMBC exposure and a margin requirement can be calculated using the margin rates in each exposure tier for the pair. The actual margin requirement of a specific currency pair will thereby be a function of the TMBC exposure and the different margin rates for each exposure tier. However, it should be noted that the per-trade "margin impact" will be displayed in the base currency of the customer trading account, converted at the prevailing spot rate.

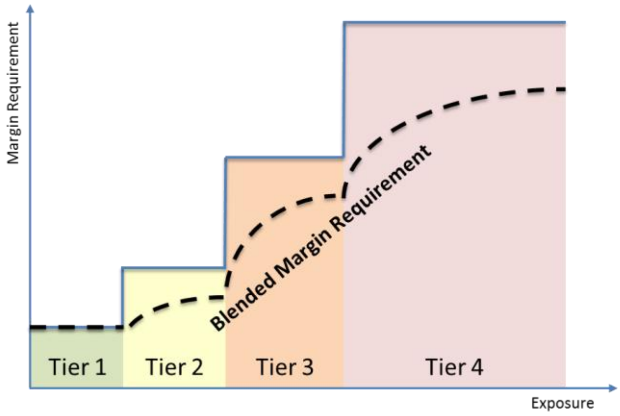
This methodology enables you to offer and market competitive margins while maintaining a responsible Risk Management.

Tiered margins:

- With Tiered Margin, the margin requirement increases as exposure in that currency pair grows.



- With Tiered Margin, the required margin is per pair based on total exposure within that pair. As a derived effect, margin required will always decrease when a customer's exposure in a particular pair is lessened, making it simpler to gauge the effect.
- Customers' average margin requirements ("Blended Margin Requirement") will increase in tandem with their exposure.



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Quick Reference[1]

How are Tiers defined?

Exposure tiers (in USD) are broken into seven bands and defined globally (across all currency pairs) as:

Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 7
<1M	1-3M	3-5M	5-10M	10-25M	25-50M	>50M

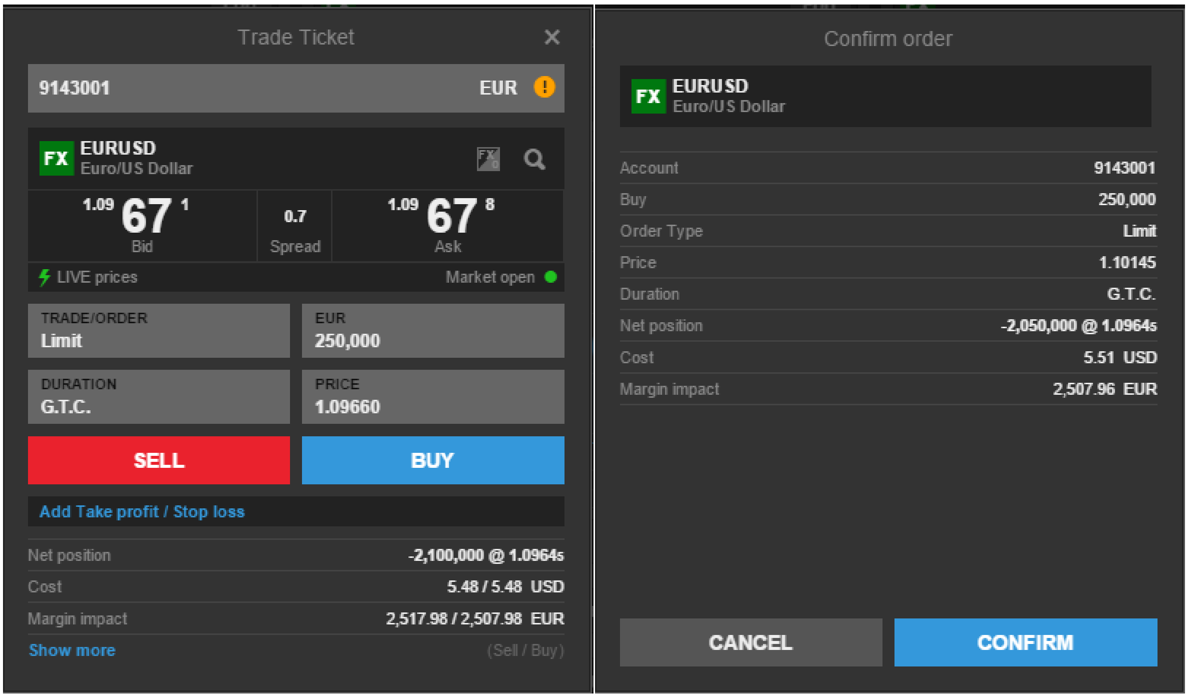
Each currency pair has a specific margin rate in each tier. However, for display purposes, when different tiers have the same margin rate, they are merged into one tier i.e. each currency can have up to a maximum of seven exposure tiers.

In the case of EURUSD, there are only four tiers. (Tiers 1 and 2 are merged, since they both have 1% – tiers 3, 4 and 5 are merged, as they all have 2%).

Cross	Sector	Exposure	Margin Requirement Initial / Weekdays / Weekends
EURUSD	Major	< USD 3,000,000.0	1.0 %
		USD 3,000,000.0 - 25,000,000.0	2.0 %
		USD 25,000,000.0 - 50,000,000.0	3.0 %
		> USD 50,000,000.0	6.0 %

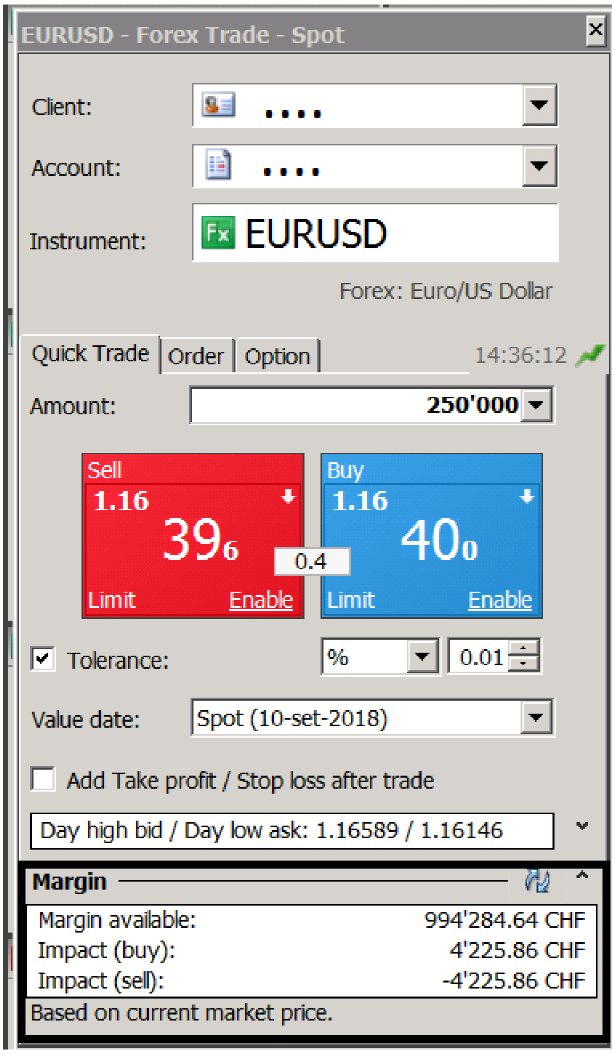
How can you see margin required when you instigate a trade?

Illustration from the web platform:



[1] All rates and levels are for example purposes.

DesktopTrader Illustration:



Where can you find tiered margin levels?

The customer's "Account" tab in the platform and "Trading Conditions" in other platforms should be referenced as the first source of margin rates for a customer's account as this will show the actual configured margins.

Margin Requirement

Exposure (USD)	Margin Rate
< 3,000,000	1%
3,000,000 - 25,000,000	2%
25,000,000 - 50,000,000	3%
> 50,000,000	6%