

The logo for ICEFX, featuring the word "ICE" in a white serif font and "FX" in a white sans-serif font. A small blue diagonal line is positioned above the "X".

ICEFX

Solutions for trading

# Risk Management

External control of traders

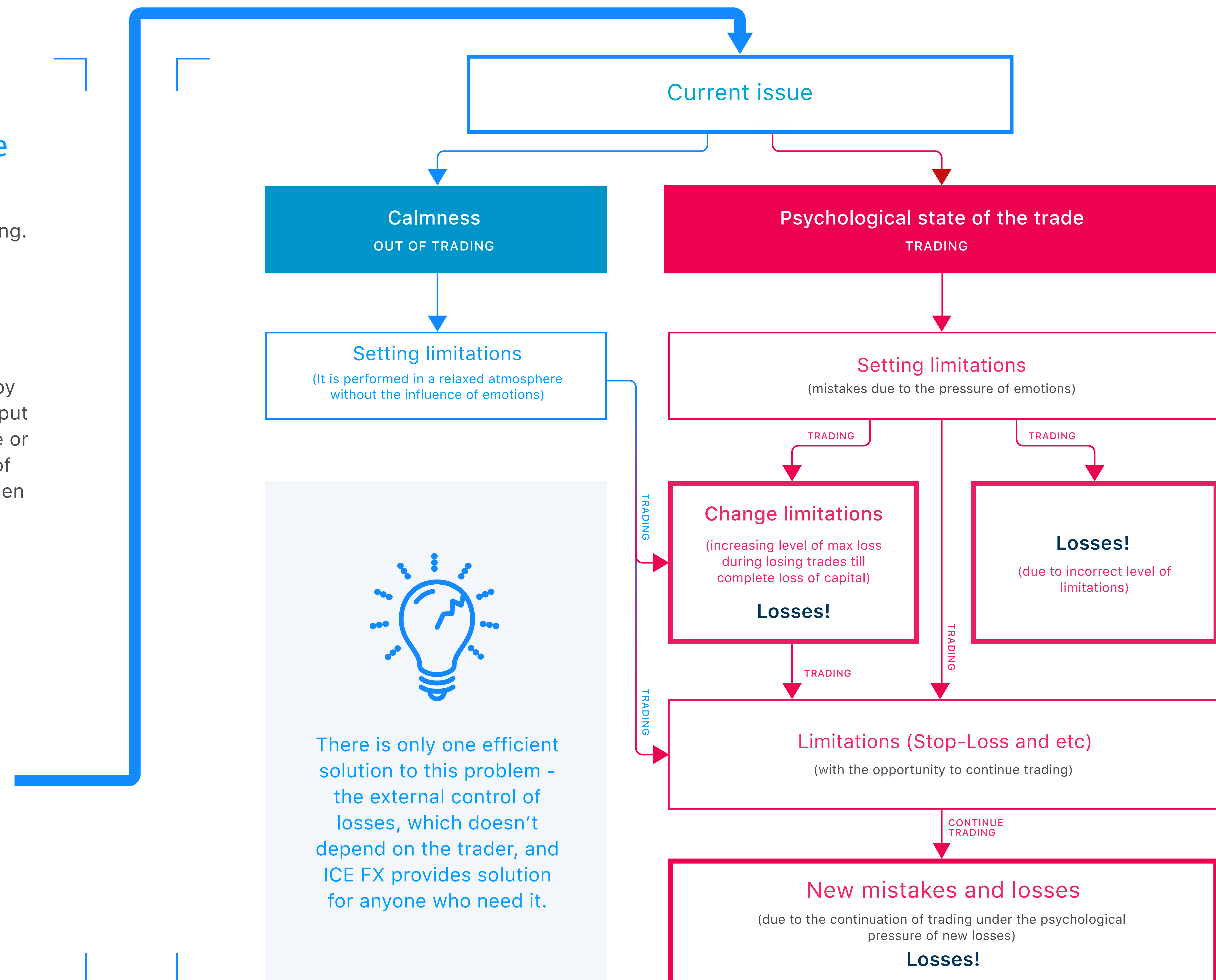
# The Problem

## Description of the issue

Everybody knows that psychology is the most important aspect in trading. Trading strategy will hardly deliver a trader any profit if he is affected by his emotions from time to time.

According to the statistics, 70% of all losses on the market are caused by psychological reasons. A trader can put Stop-Loss and Take-profit on a trade or place mentally any additional types of limitations. But it all doesn't work when the trader under strong affect of emotions starts to make reckless trading decisions (changes level of Stop-loss, cancels them, opens redundant trades and etc.)

On the right you can see the scheme of the existing system of limitations with reference to the psychological state of the trader:



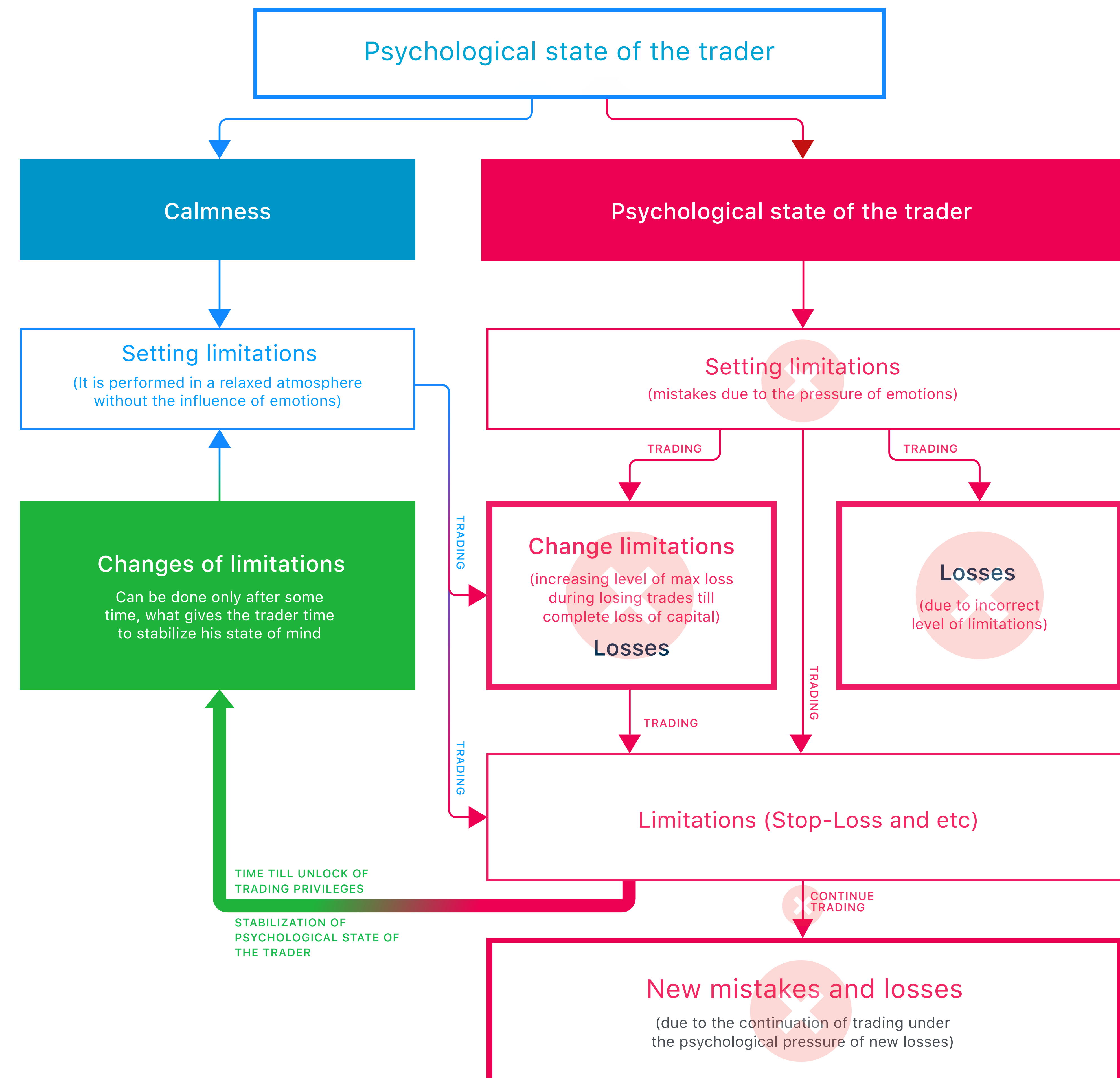


# The Solution

## Control System

The company developed the system of external control of traders' activity, which is available for everybody.

Trader can put some limitations, which when are triggered will close trades and trading account will be switched into read-only for some time. Trader can't immediately change level of limitations, therefore he can't increase his losses more, than it was originally designed.

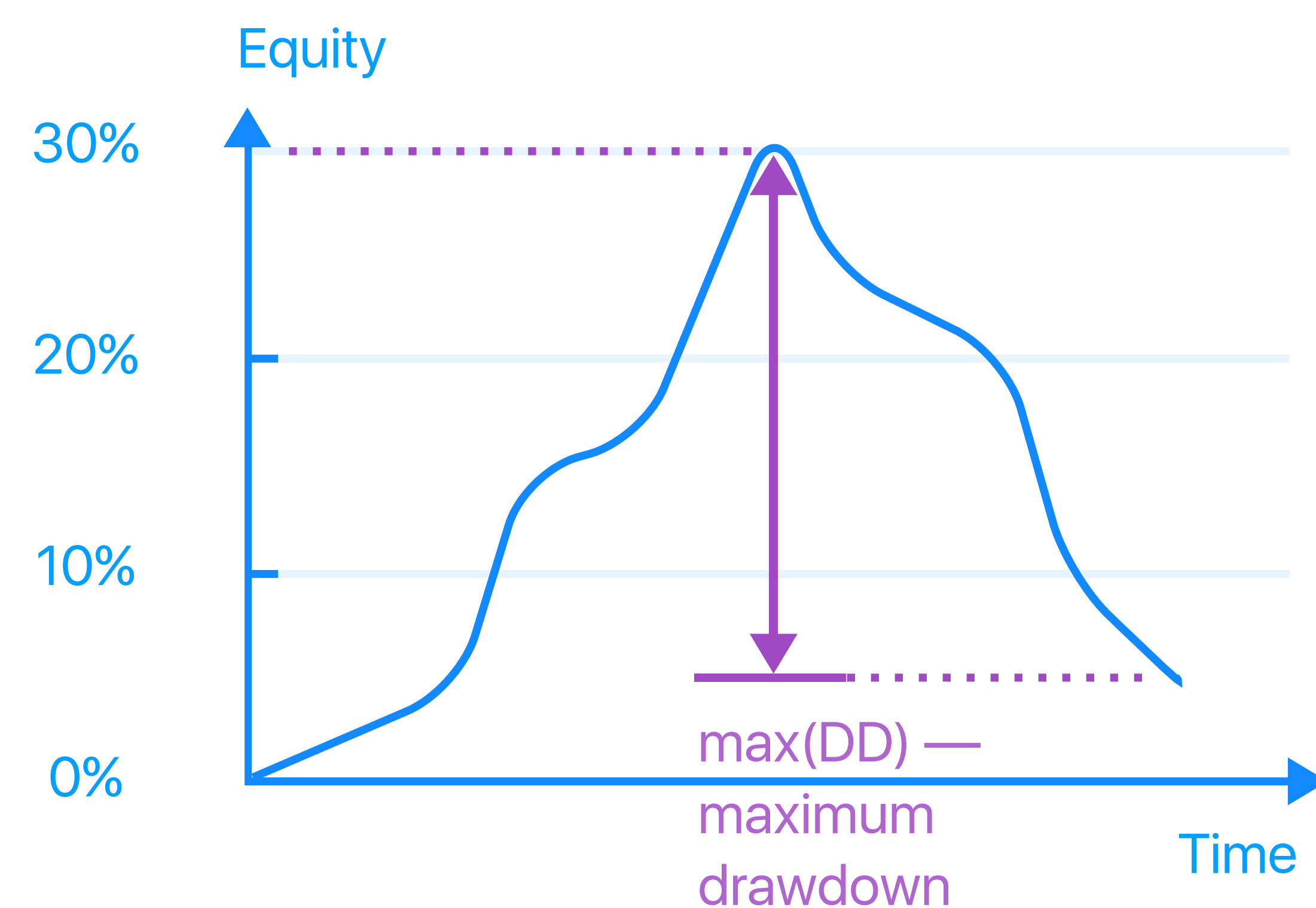


# Types of limitations

Trader has an option to choose between 5 different types of limitations:

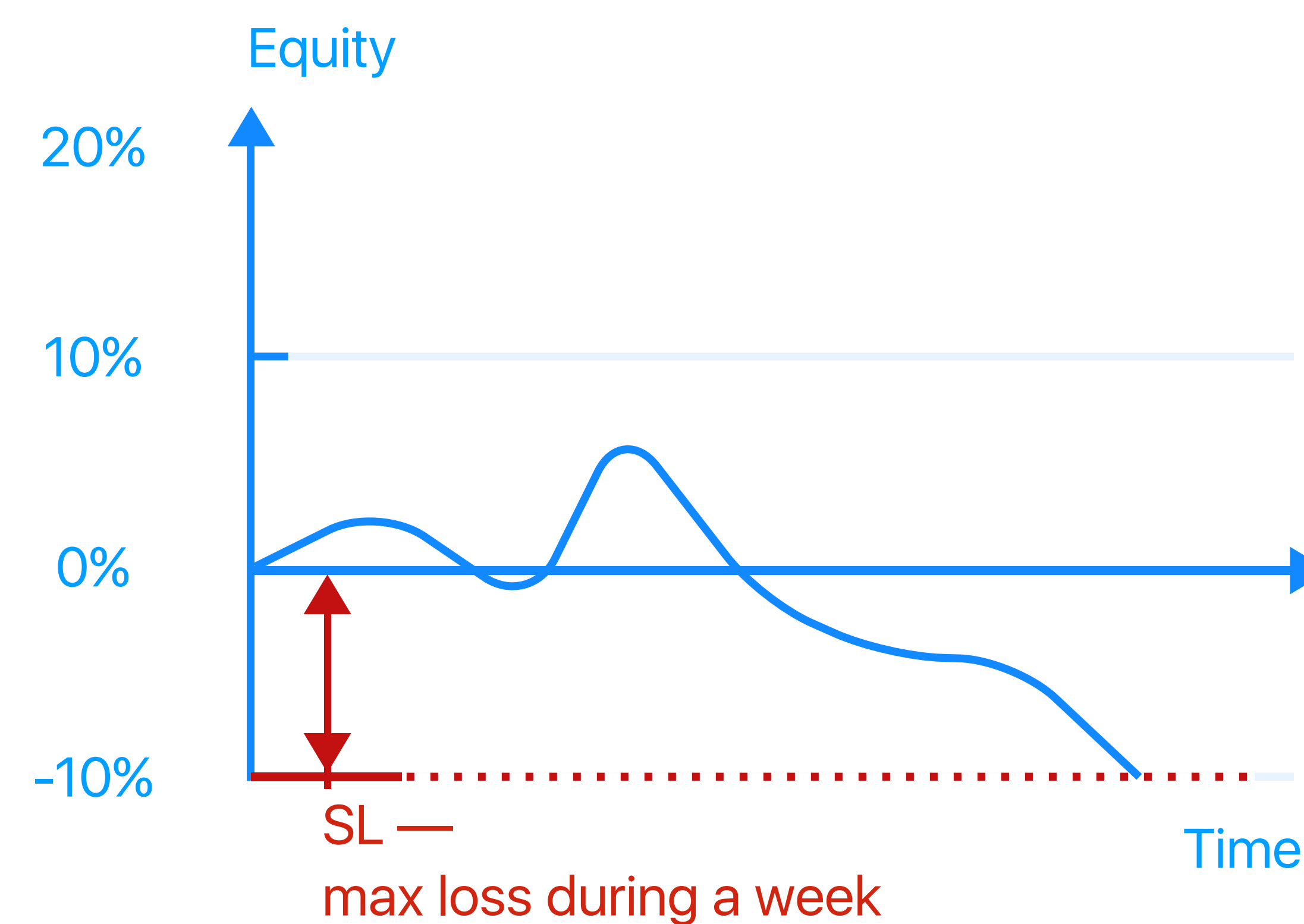
## Max DD limitation (%)

It is calculated from the max reached Equity value, after this limitation was applied. If equity on the account gets to the level of max DD limitation, this limitation will be triggered. The best example of this limitation - is the mechanism of Trailing Stop in MT4. Max DD limitation is calculated as percentage of deposit (%)



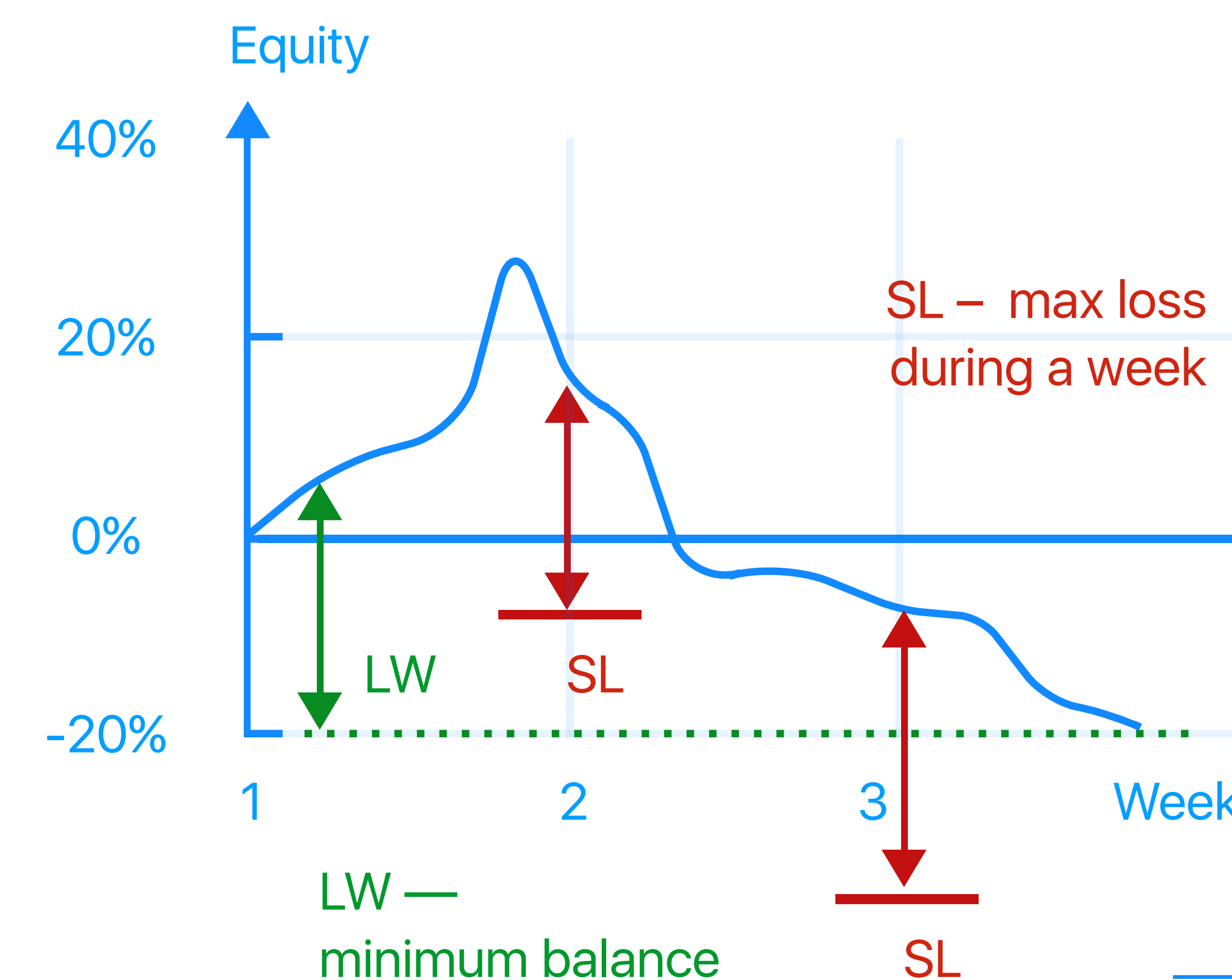
## Weekly loss limit (%)

It limits max loss per trading week, which is calculated of the equity value at the beginning of the week. This value does not depend on the increase of the equity during this period. (For comparison "max DD limitation" calculates drawdown from the max reached equity). Weekly loss limit is calculated as percentage of deposit (%)



## Limitation of min balance on the account (USD)

Certain amount on the account triggers this limitation. When the limitation is triggered – trading on the account will be stopped. Limitation of min balance on the account is calculated as amount of the deposit (USD)



## Types of limitations

### Max leverage limitation

Manager can't change and choose bigger leverage, than it was set by the risk-manager.

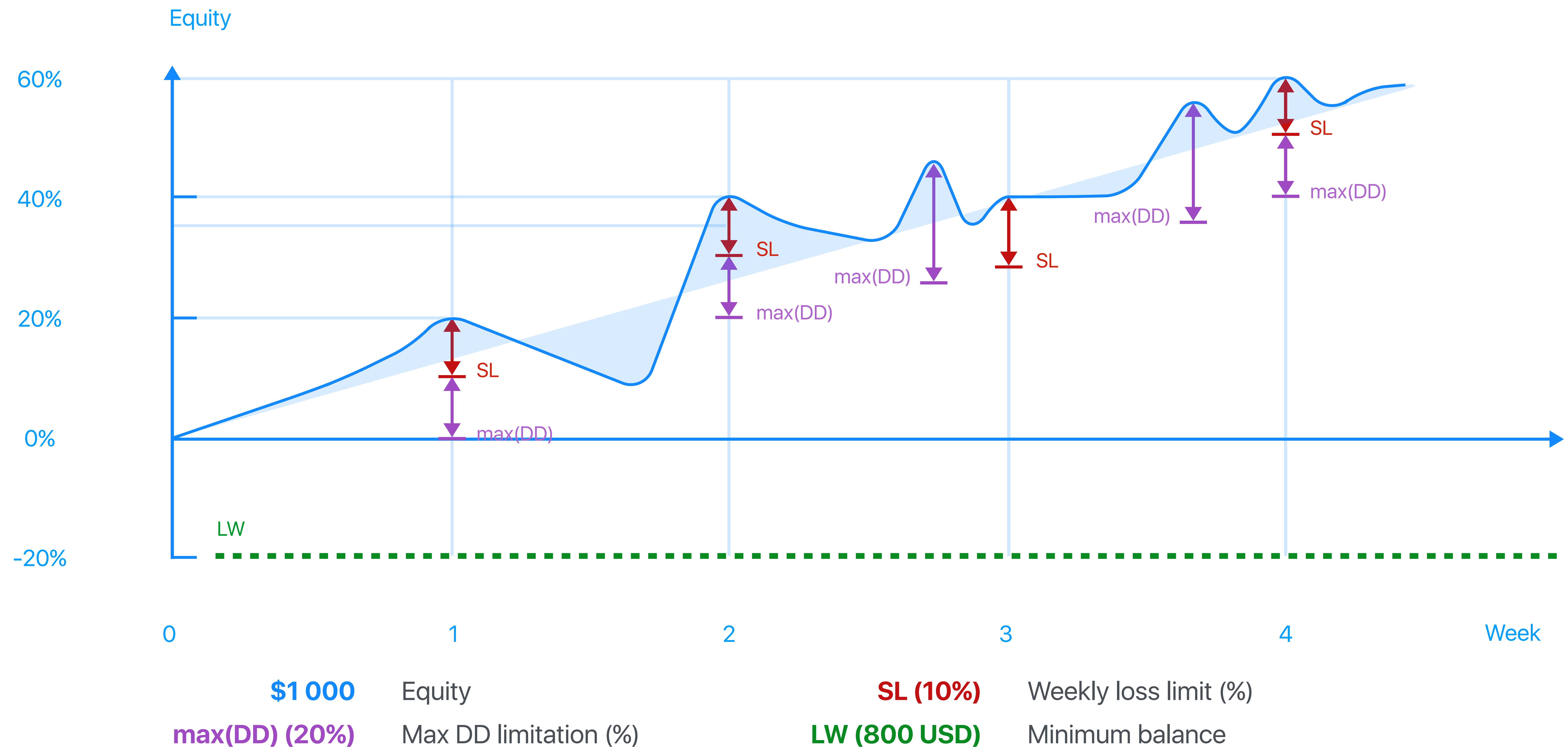
### Daily loss limit

This limitation is analogue to «weekly loss limit». It limits max losses per day, which is calculated of the equity value at the beginning of the week. This value does not depend on the increase of the equity during this period. (For comparison, "max DD limitation" calculates drawdown from the max reached equity). Daily loss limit is calculated as percentage of deposit (%)

If one of the limit conditions is met (stop-loss trigger) – all trades on the trader's account will be forcibly closed by market prices and trading on the trader's account will be stopped till some time, which is described in the table below.

## Risk-management mechanism for an investor

Once one of the limitations is triggered all the trades will be closed by current market prices and account will be switched into read-only, until risk-manager lifts the limit.





## Features of limitations functioning

Type of limitation <sup>1</sup>	Benchmark <sup>2</sup>	Condition of limitation trigger	Time when trading can be resumed	Time when limitation gets into effect <sup>3</sup>
Weekly loss limit	Equity on the account at 00:05 (EET) Monday, current week	Decrease of Equity on the account (in %) by the size of the limitation	00:05 (EET) Monday next week	00:05 (EET) Monday next week
Daily loss limit	Equity on the account at 00:05 (EET) current trading day	Decrease of Equity on the account (in %) by the size of the limitation	00:05 (EET) next trading day	00:05 (EET) Monday next week
Max DD limitation	Max Equity value after applying/adjusting limitation level	Decrease of Equity on the account (in %) by the size of the limitation	00:05 (EET) Monday next week	00:05 (EET) Monday next week
Limitation of min balance on the account		Decrease of Equity on the account (in the currency of the account) by the size of the limitation	00:05 (EET) Monday next week	00:05 (EET) Monday next week
Max leverage limitation				00:05 (EET) Monday next week

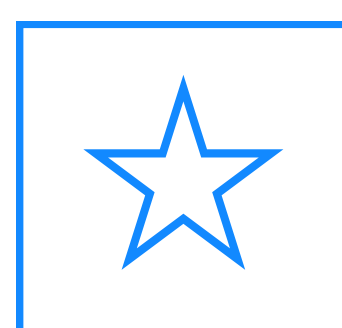
<sup>1</sup> none of the limitations are obligatory for personal trading

<sup>2</sup> moment of time, in which original value of the parameter is recorded for further calculations

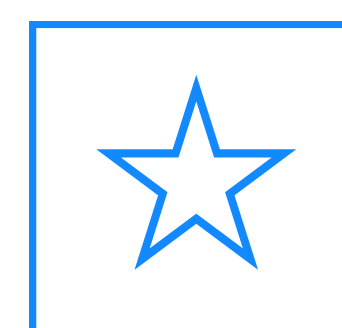
<sup>3</sup> If client applies for changes



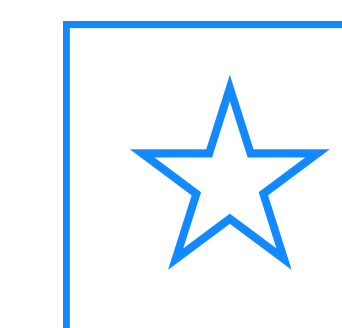
# Advantages



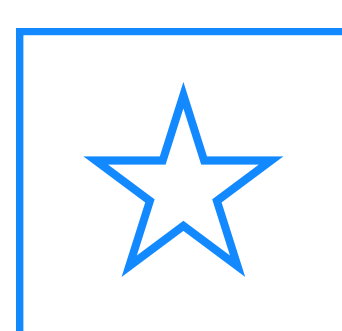
A trader can't change level of limitation immediately, because request to change the limitation will be executed only at the beginning of next week. Therefore, the trader can't change level of losses under psychological pressure.



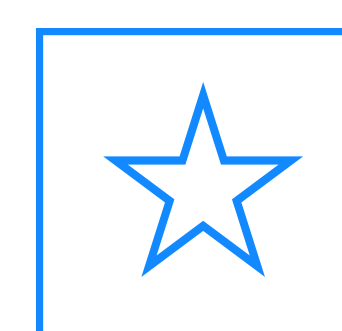
A trader can't continue trading some time if one of the limitations was triggered. This time is usually around one week. It prevents the trader from trading under psychological pressure, so he has time to calm down and review mistakes.



Removes psychological pressure from a trader due to understanding that the set limitations can't be changed in the course of trading.



Protects from irrational and strong unpredictable movements on the market, to which a trader is not always able to respond instantly. It can lead to bigger losses, than it was originally planned. System of the external risk-management works 24/5 and reacts immediately to minimize losses. (it is necessary to understand that the system of risk-management can't avoid slippages, requotes and etc).



Protects from mistakes, which a trader makes under influence of strong emotions.

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