

ICEFX

Risk management

Protection for investors and managers' control.

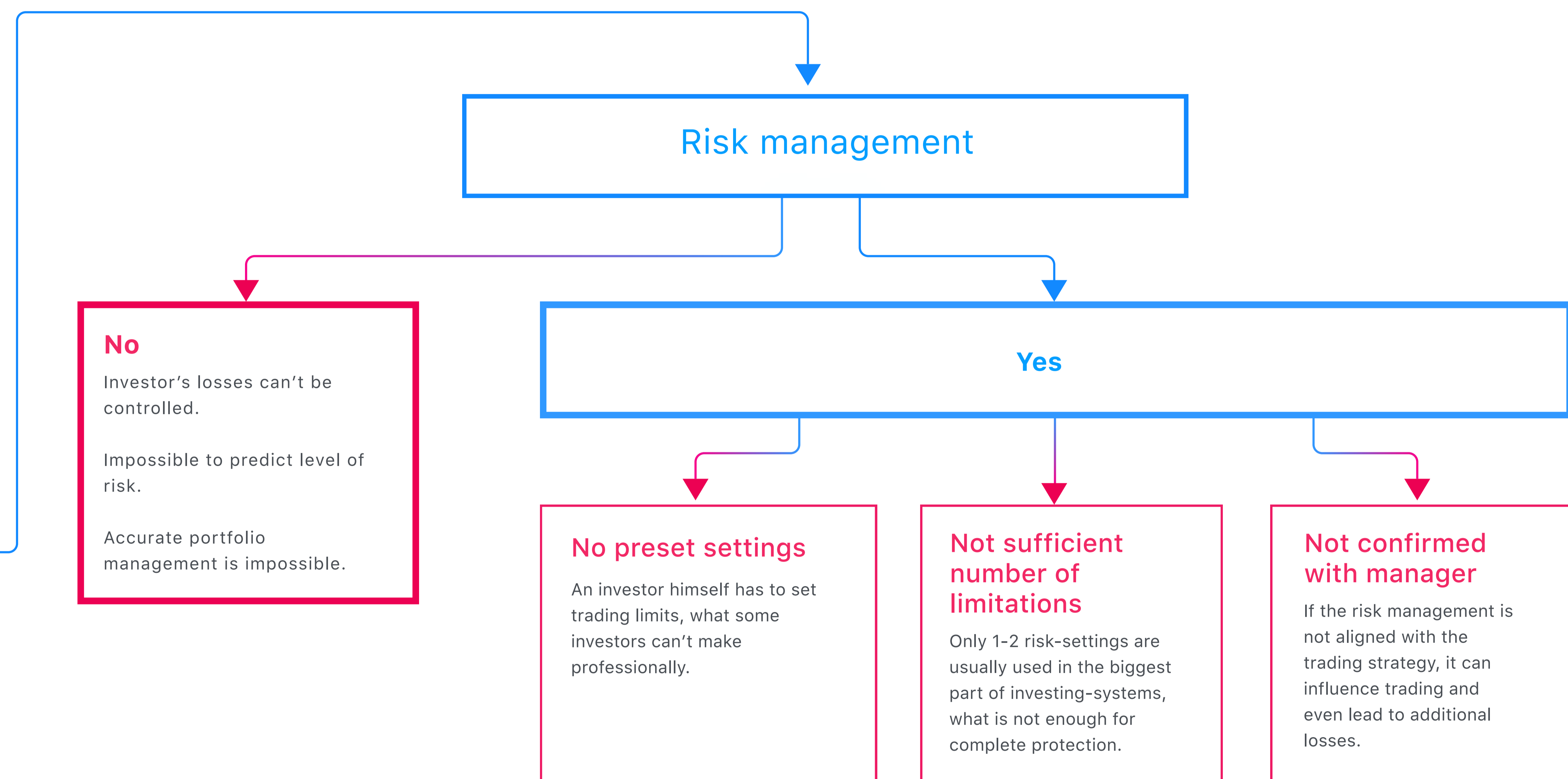
The Company developed a unique risk management system, which protects investors from extraordinary losses and additionally controls managers, lifts psychological pressure from them.

Disadvantages of existing risk management systems

Description of the issue

In the wide range of companies, there is no risk management at all. In that case an investor can't control losses. It becomes impossible to make an accurate portfolio management and the whole process of investment becomes pure gambling.

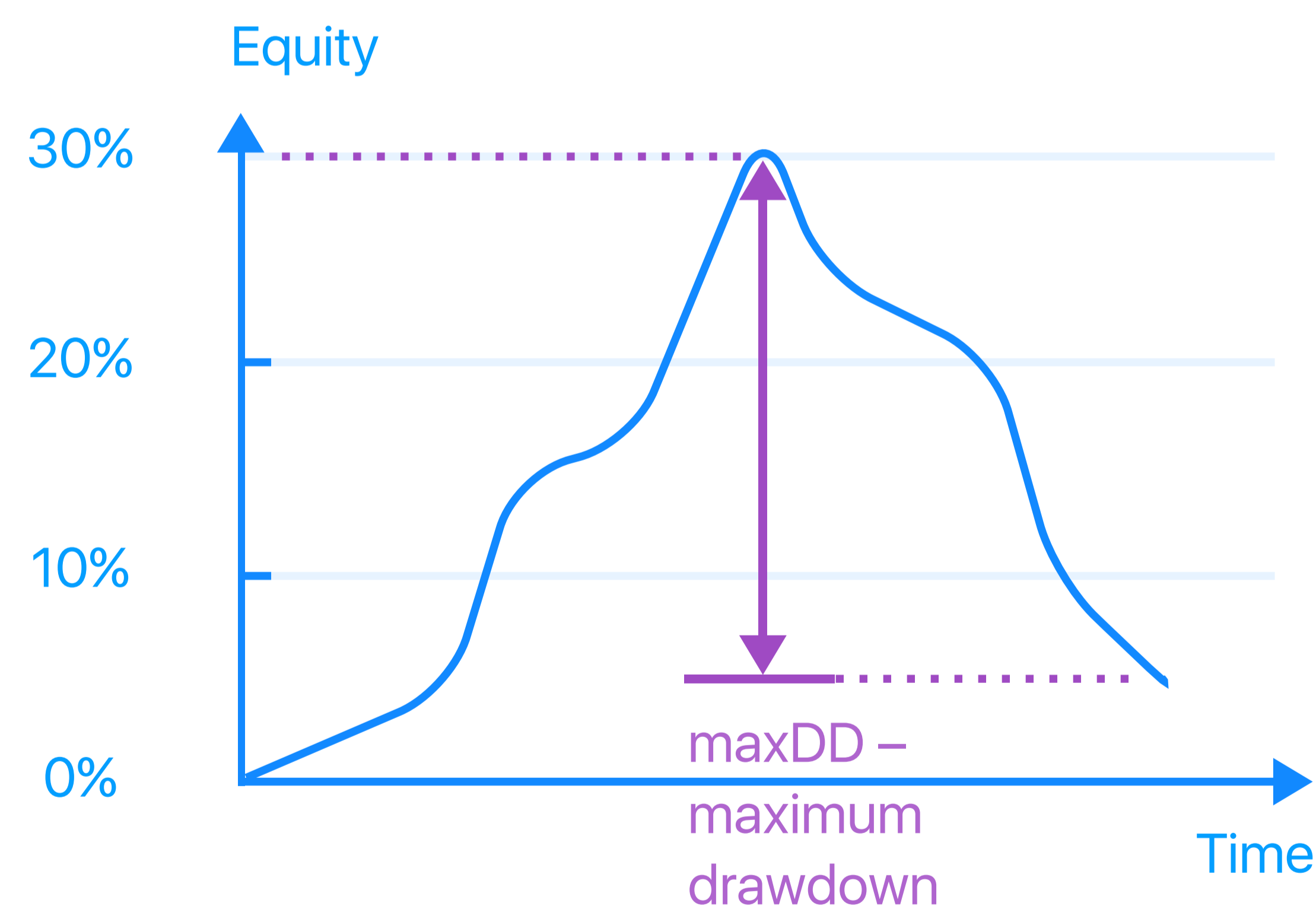
Even systems with the risk management, usually have at least one of the following disadvantages:



Types of limitations

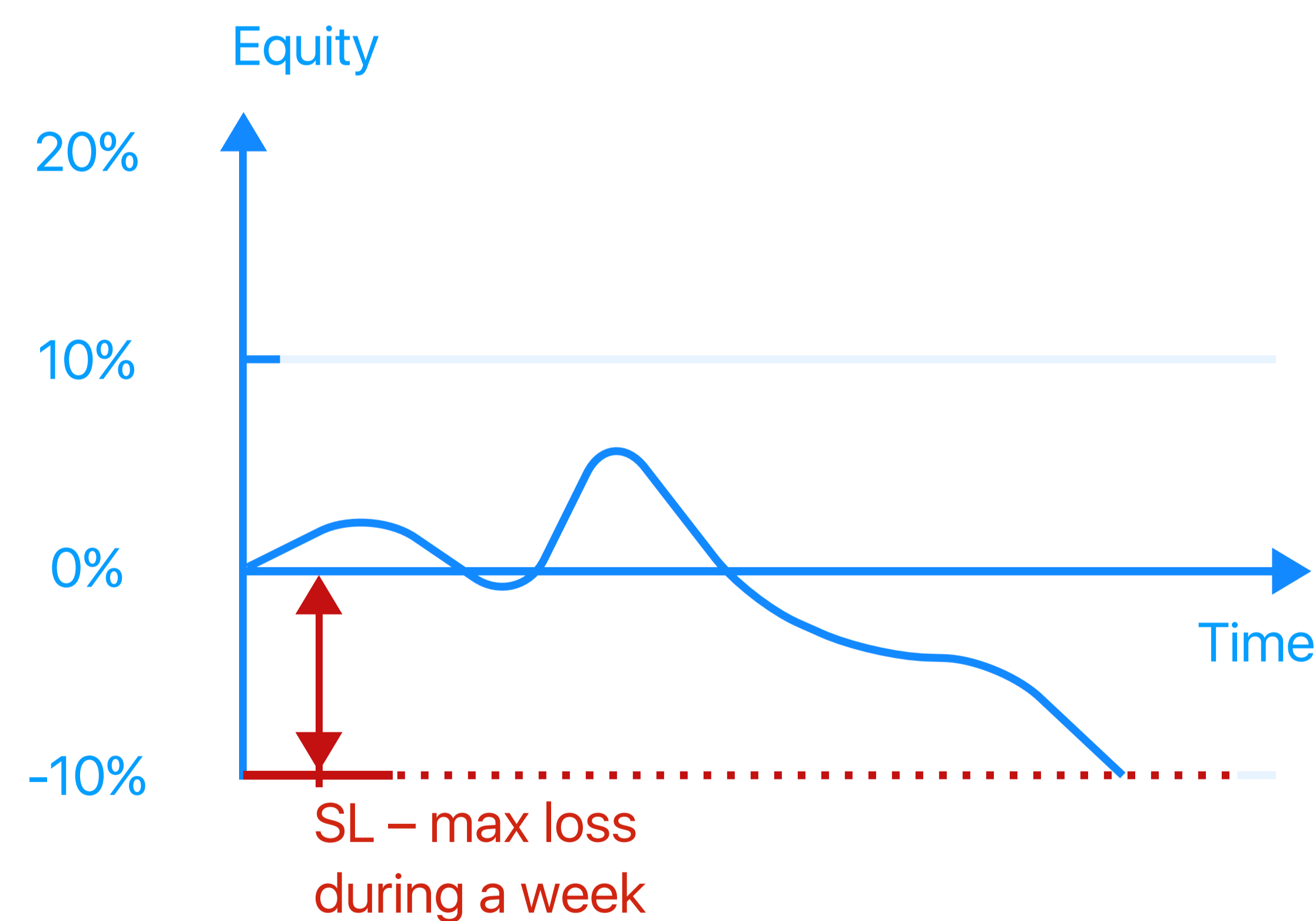
Max DD limitation (%)

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 (%).



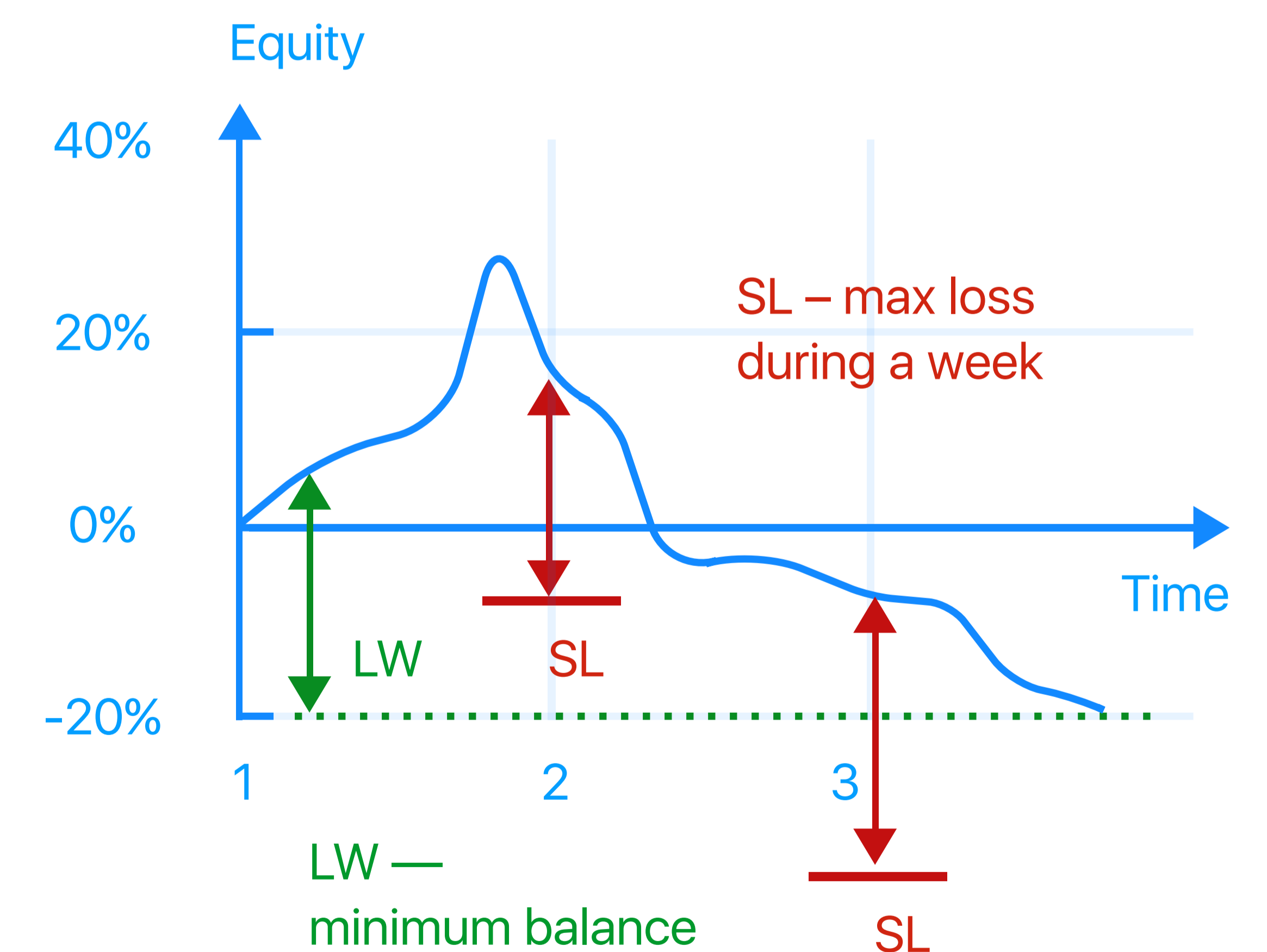
Weekly loss limit (%)

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).



Max leverage limitation

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

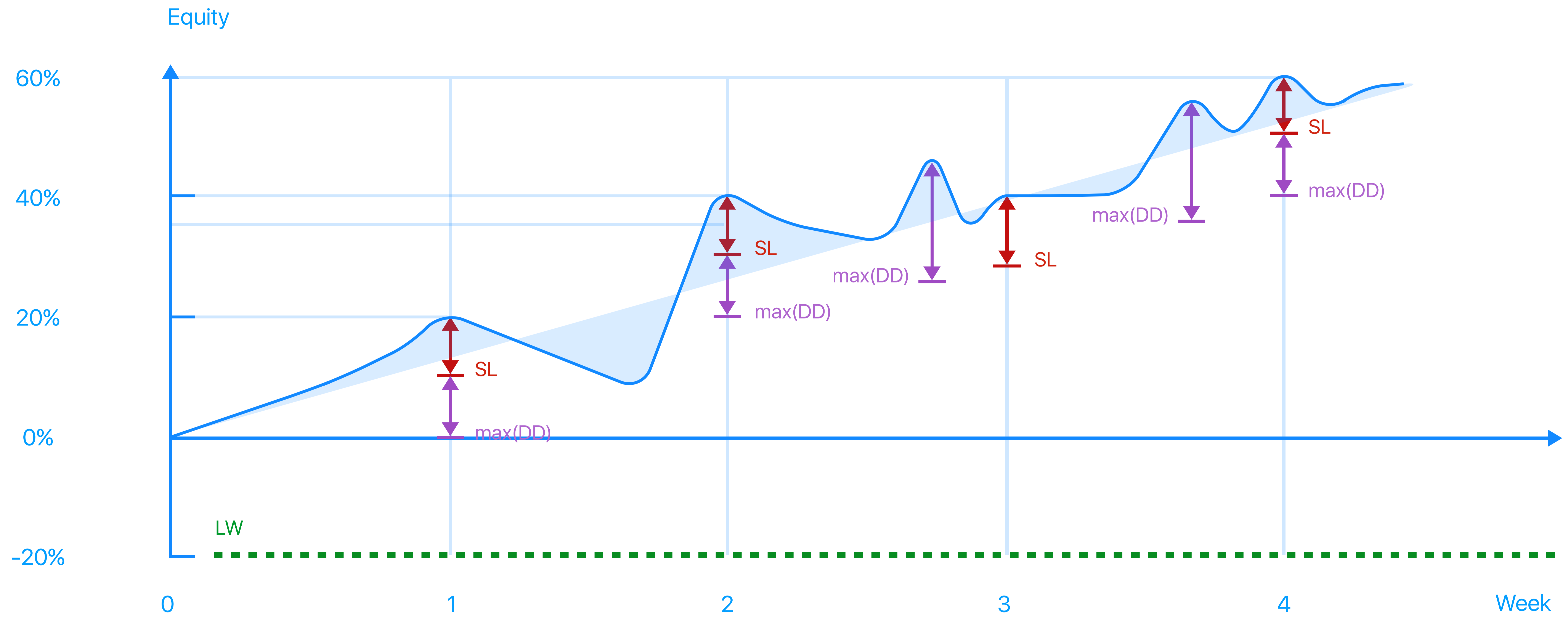
Daily loss limit

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 (%).

All calculations are based on equity values.

If any of the limit conditions is met (stop-loss trigger) – all trades on the investor's account will be forcibly closed by market prices and trading on the investor's account will be stopped.

Risk management mechanism for investor



\$1000 Equity
max(DD) (20%) Max DD limitation (%)

SL (10%) Weekly loss limit (%)
LW (800 USD) Minimum balance

Features of limitations functioning

	Type of the limitation	Benchmark	Condition of the limitation trigger	Time when trading can be resumed (not earlier)	Time when change of the limitation gets into effect
Limitation is set by the manager	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 the week after the current week (the soonest weekly rollover + 1 week)
	Max leverage limitation				00:05 (EET) Monday the week after the current week (the soonest weekly rollover + 1 week)
Limitation is set by the manager and can be changed by an investor	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	<p>Change is initiated by the manager: 00:05 (EET) Monday the week after the current week (the soonest weekly rollover + 1 week)</p> <p>Change is initiated by investor: 00:05 (EET) Monday next week</p>
Limitation is set by an investor	Max DD limitation (unlimited on time)	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 (unlimited on time)		Decrease of Equity on the account (in the currency of the account) by the size of the limitation	Only after account deposit or changing level of the limitation	00:05 (EET) Monday next week

ICE FX risk management matrix

Graphic presentation of the risk management system functioning.



Set by manager
(preset risk management settings)

Set by an investor
(additional risk management settings)

Daily loss limit

Max leverage limitation

Weekly loss limit

Max DD limitation

Limitation of min balance on the account

Obligatory for all managers

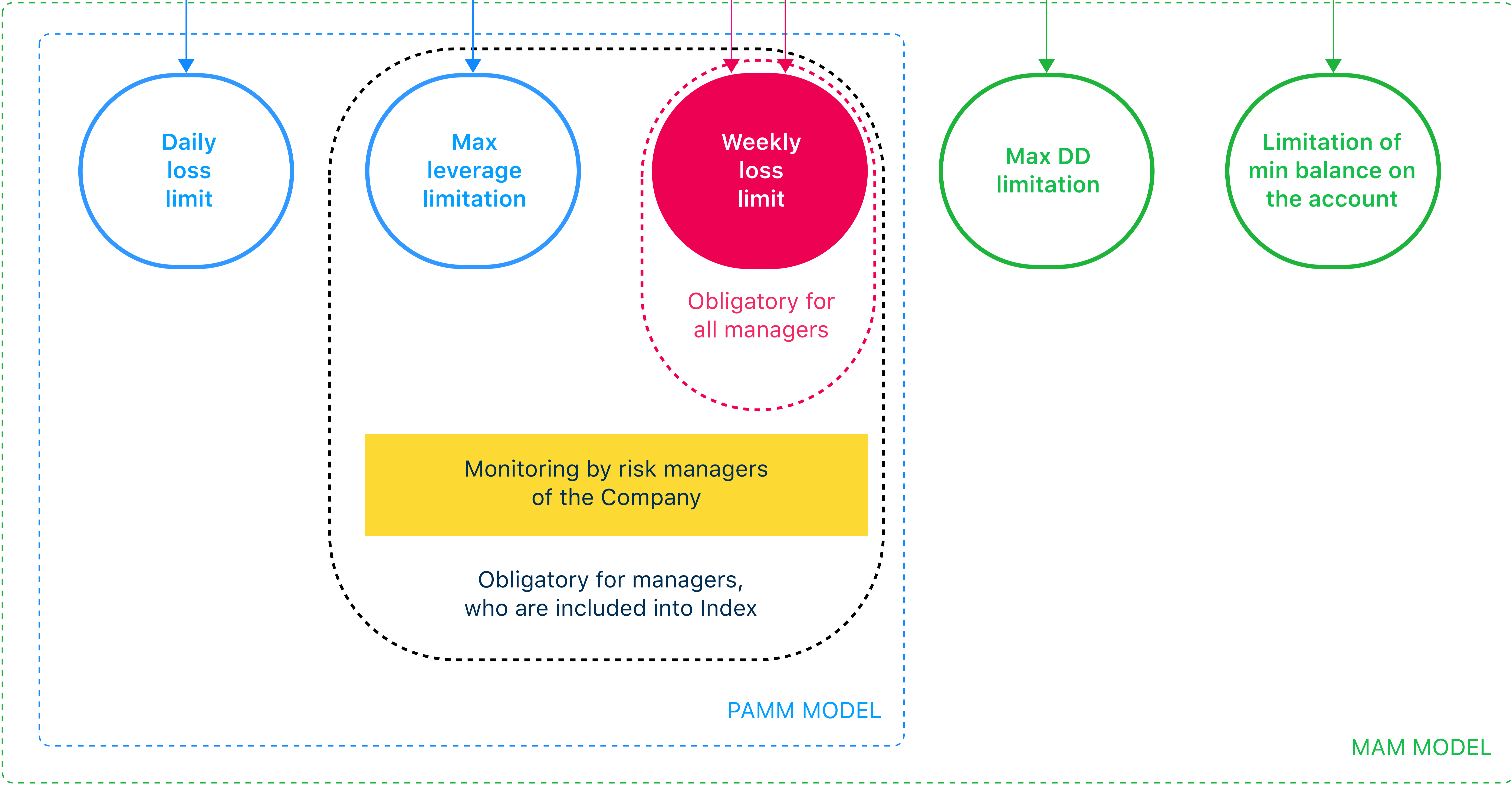
Monitoring by risk managers of the Company

Obligatory for managers, who are included into Index

CHANGE OF THE VALUE SET BY THE MANAGER

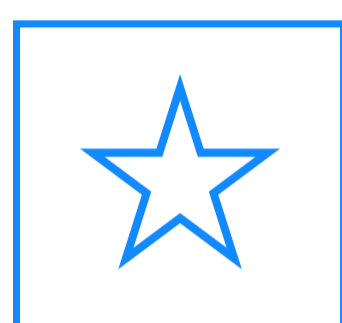
PAMM MODEL

MAM MODEL



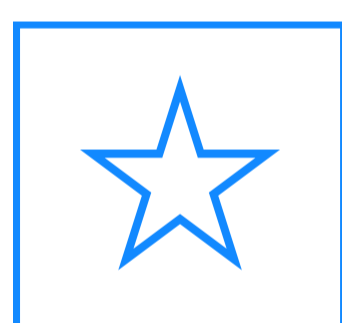
Advantages

For manager



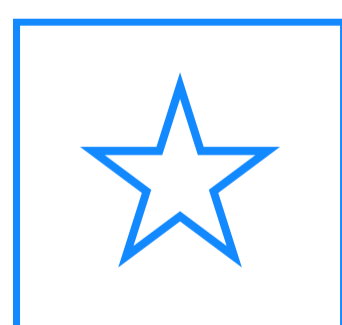
Limitations are confirmed by the manager (for managers who are included into Index)

All obligatory limitations are confirmed with the manager so they won't negatively affect his trading activity. In the majority of investment systems restrictions are imposed by an investor without confirmation with managers and their trading system, which leads to losses.



Setting of obligatory restrictions for the manager (for managers, who are not included into Index)

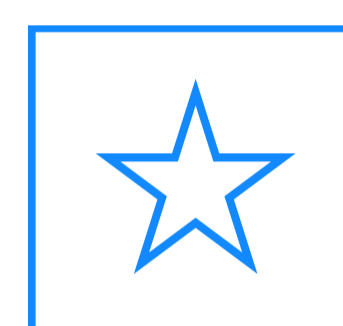
All obligatory restrictions are set by managers themselves, based on their risk management. In the majority of investment systems restrictions are imposed by an investor without confirmation with managers and their trading system, which leads to losses.



Removing the psychological pressure from managers

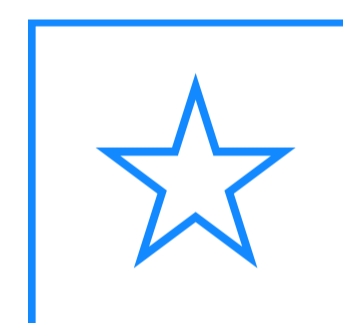
The manager can't change risk management parameters by his request directly in the process of trading, what makes him protected from making mistakes, under strong emotional pressure.

For investor



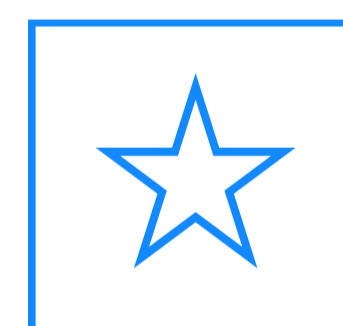
Risk management settings are already set (obligatory part of the risk management)

An investor is not required to understand portfolio-management and configure risk management settings manually. The Company, by the agreement with managers (for those who are included into Index) or by traders themselves (for those who are not included in Index), set obligatory risk management limitations, that allow an investor to be confident, that his losses will not exceed the specified value.



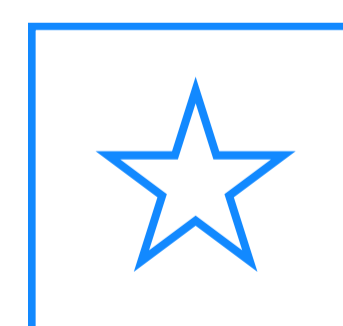
Additional risk management settings

Some investors have extended experience and knowledge in portfolio management, so those investors can adjust the limits of parameters of the risk management at their own discretion.



The risk management system is independent from traders' activity

The manager can't change risk management settings at any moment without confirming them with the Company. Such approach protects an investor from losing more funds, than it was set. Parameters can be changed only after confirmation with the Company and obligatory notification of all investors of that Managed account. It is done with the aim to provide an opportunity to exit the Managed account, before changes come into force.



More accurate portfolio management

Due to the max loss limitation, an investor can make accurate calculations of the manager's share in the portfolio and total risk.

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