Margin Rules – OANDA Australia Pty Ltd ("OANDA")

OANDA provides online 'trading with leverage' services, meaning that you can enter into positions larger than your account balance and trade without depositing the full value of your position in advance. One of the benefits of trading with leverage is that you could potentially generate large profits relative to the amount invested. On the other hand, trading with leverage could also result in significant, rapid losses to your capital. In order to open a position on your OANDA account you need to have sufficient funds available to cover margin.

What is margin?

OANDA takes a form of security (or deposit) against any losses that you may incur when you trade using leverage, this collateral is typically referred to as margin. Although there is no minimum deposit needed to open an OANDA account, the funds available in your account will limit the size of the position(s) that you can open.

The margin needed to open each position is derived from the leverage ratio associated with the asset class that you wish to trade. For example, if you were trading an instrument with leverage at 20:1, you would be asked to deposit margin of 5% of the full value of the trade that you wish to enter into (1 over 20 is 0.05 or 5%). In other words, when trading with leverage of 20:1, you can open a AUD$20 trade for each AUD of available funds to cover margin on your account.

OANDA's margin rates

Different asset classes have different leverage levels and therefore different margin rates. A list of margin rates applicable to each asset class is found on the OANDA margin rates page.

What is margin closeout?

In order to keep a position open, you are required to maintain a minimum amount of money in your account, this is known as the margin requirement. The margin requirement is 50% of the margin needed to open the position. You are required to maintain this margin requirement on your account. If the funds on your account fall below the margin requirement, then your position(s) may be closed. This is known as margin closeout.

V20 (and MT4/ V20) accounts:

The margin requirement is 50% of the margin needed to open the position based on prevailing prices, and hence is dynamic as opposed to fixed.

The Margin Closeout Percent field on your V20 account indicates how near your positions are to margin closeout. The closer the Margin Closeout Percent is to 100%, the closer you are to a margin closeout. A Margin Call is triggered when Margin Closeout Percentage falls to 50%. Please note that in fast-moving markets there may be little or no time to warn you about imminent margin closeout. See more detailed information about Margin calculations on our FAQ pages.

When margin closeout occurs on V20 (and MT4/ V20) accounts, all of your open positions will be closed.

If trading is unavailable for certain open positions at the time of the margin closeout, those positions will remain open and OANDA will continue to monitor your account funds in relation to margin requirement. When the markets reopen for those remaining positions, they will be subject to margin closeout if the funds on your account remain below the margin requirement.

You are responsible for monitoring your account to prevent margin closeouts.

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Ways to avoid margin closeout

Take proactive measures to avoid undergoing margin closeout on your account. For example:

- Monitor the status of your account continuously.

- Specify a stop-loss order for each open position to limit downside risk. You can specify the stop-loss rate at the time you open a position or add a stop-loss order at a later time once a position is open. You can also change your stop-loss orders at any time to take current market prices or other conditions into consideration.

  Note: Your position is closed at the current OANDA price, which may vary from your stop loss price, when prices are subject to slippage, for example: when trading resumes after periods of market closure, around news announcements, etc.

- Incrementally reduce the size of your positions as you get near to a margin closeout. For example, you could reduce the size of all your open positions by 10% as this would effectively lower the amount of margin required.

- Close individual positions to reduce the amount of margin required.

- Transfer additional funds into your account, however, the time it takes to add funds could mean your funds arrive too late in the event of continual or swift adverse market movement.