

OANDA help portal



Calculating margin

Margin information provided on the fxTrade platform is sufficient for most traders' needs, and tips for avoiding margin closeouts are outlined in [OANDA's margin rules](#). The rest of this document provides details on how margin is calculated and includes examples as we go through the following steps:

Calculating the Net Asset Value (NAV) - The term **Net Asset Value** represents the current value of your account. It is the total of your Account Balance and all unrealized profits or losses associated with your open positions. If you have open positions the **Net Asset Value** is the sum of your account balance and your account's unrealized profit or loss or P/L. The Net Asset Value of your Account continuously fluctuates with the current exchange rates if you have open positions and is displayed in the "Account Summary" section of the fxTrade user interface.

Unrealized P/L refers to the profit or loss held in your current open positions. This is equal to the profit or loss that would be realized if all your open positions were closed immediately. Your Unrealized P/L continuously fluctuates with the current exchange rates if you have open positions and is displayed in the "Account Summary" section of the fxTrade user interface.

Example :If your account is in USD and you are currently long 10,000 units EUR/USD, which was bought at 1.2581, and the current exchange rate for EUR/USD is 1.2570/72, then that position represents $10,000 \times (1.2570 - 1.2581) = 10,000 \times (-0.0011) = -11$, or an unrealized loss of \$11 USD.

Calculating margin used - Margin used is equal to position value multiplied by the margin requirement, summed up over all open positions. **Position value** is the size of the position (in units) converted from the base currency of the currency pair in question to your account currency using the current ask rate if the position is long and the current bid rate if the position is short.

Example: You have a CAD account and the following open positions: 10,000 long EUR/USD and 20,000 short EUR/CZK. The current EUR/CAD rate is 1.2518/20.

Required Margin depends on the currency pair and the maximum leverage set for your account:

You have set your maximum leverage to 50:1. The Position Value of a 10,000 EUR/USD long position is 10,000 EUR converted to CAD, which is equal to $10,000 \times 1.2520$, or \$12,520 CAD. The margin requirement for EUR/USD is 2% (when the account maximum leverage is set to 50:1). As a result, the margin required on this EUR/USD position is equal to $\$12,520 \times 0.02$, or \$250.40 CAD.

The position value of a 20,000 EUR/CZK short position is 20,000 EUR converted to CAD, which is equal to $20,000 \times 1.2518$, or \$25,036 CAD. The margin requirement for EUR/CZK is 5% (when the account maximum leverage is set to 50:1). As a result, the margin required on this EUR/CZK position is equal to $\$25,036 \times 0.05$, or \$1,251.80 CAD. The position value of your account is $\$12,520 + \$25,036 = \$37,556$ CAD. The margin used on your open positions is $\$250.40 + \$1,251.80 = \$1,502.20$ CAD.

Example: Same example as above but with maximum leverage set to 20:1.

The position values remain the same, but the margin required is equal to 5% of the position value, which is $(\$12,520 \times 0.05) + (\$25,036 \times 0.05) = \$626.00 + \$1,251.80$. Hence, the margin used on open positions is equal to \$1,877.80 CAD.

Calculating margin available - Now we can calculate the margin available to initiate new trades.

Margin available is equal to the greater of \$0 or "Net Asset Value" minus the "margin used". This value continuously fluctuates if you have open positions: the Net Asset Value changes with the value of your

open positions, and margin used changes over time as the exchange rates change. If margin available is \$0, then you cannot open new positions or increase existing positions.

Example: If your Net Asset Value is equal to \$12,000 USD, your maximum leverage is set to 50:1, and:

a. the total position value is \$100,000 USD for a position which is comprised of a major currency pair, then the margin available is equal to $12,000 - (0.02 \times 100,000) = 12,000 - 2,000 = \$10,000$ USD. On the other hand, if Net Asset Value is equal to \$1,990 USD, then the margin available is equal to \$0, because $1,990 - 2,000 = -10$, which is less than \$0.

a. the total position value is \$50,000 USD for a position which is comprised of a non-major currency pair, then the margin available is equal to $12,000 - (0.05 \times 50,000) = 12,000 - 2,500 = \$9,500$ USD. On the other hand, if Net Asset Value is equal to \$1,990 USD then the margin available is equal to \$0, because $1,990 - 2,500 = -\$510$.

a. the total position value is \$150,000 USD, made up of \$100,000 USD for a position which is comprised of a major currency pair and \$50,000 USD for a position which is comprised of a non-major currency pair, then the margin available is equal to $12,000 - [(0.02 \times 100,000) + (0.05 \times 50,000)] = 12,000 - 4,500 = \$7,500$ USD. On the other hand, if account equity is equal to \$1,990 USD, then the margin available is equal to \$0, because $1,990 - 4,500 = -\$2,610$ USD.

Margin available is displayed in the Account Summary section of the fxTrade user interface.

Calculating the margin required for opening new trades - If you are creating a new position or are increasing an existing position, you can calculate the margin required for the new trade in the same manner as calculating margin used, as described above. If the margin required is less than or equal to the margin available, then you are allowed to make the trade. If the margin required is greater than the margin available, then you cannot enter the trade. You are always able to reduce the size of an open position. If your trade reverses a position (that is, goes from long to short, or from short to long), then it is easiest to consider the margin requirements of your positions immediately after executing your order under the assumption your order is successfully executed. If the margin requirements are less than the Net Asset Value under that assumption, then you have sufficient margin to make the trade.

Calculating when a margin closeout will occur - You must maintain sufficient margin in your account to support your open positions. When accounts are undermargined, the fxTrade platform will automatically initiate a margin closeout, whereby all tradable open positions in the account are automatically closed using the current fxTrade rates at the time of closing in accordance with [OANDA's margin rules](#).

Example: You are using your entire account balance of \$10,000 USD for a single trade, thus your margin used is also \$10,000 USD. The rate moves unfavourably against your open position. When the Margin Closeout Value, which equals your Account Balance plus the unrealized P/L of your open positions based on the midpoint of the bid and ask prices, declines to \$5,250 USD you will be within 5% of half the margin used, and fxTrade will issue a first warning. In our example, $(\$10,000 / 2) \times 1.05 = \$5,250$ USD. The rate continues to move unfavourably against your position. When the margin closeout value declines to \$5,125 USD you will be within 2.5% of half the margin used, and fxTrade will issue a second warning. In our example, $(\$10,000 / 2) \times 1.025 = \$5,125$ USD. The rate continues to move unfavourably against your position. When the margin closeout value declines to \$5,000 USD, a margin closeout is triggered and fxTrade will automatically close your open position. If trading is unavailable for certain open positions at the time of the margin closeout, those positions will remain open and the fxTrade platform will continue to monitor your margin requirements. When the markets reopen for the remaining open positions, another margin closeout may occur if your account remains undermargined.

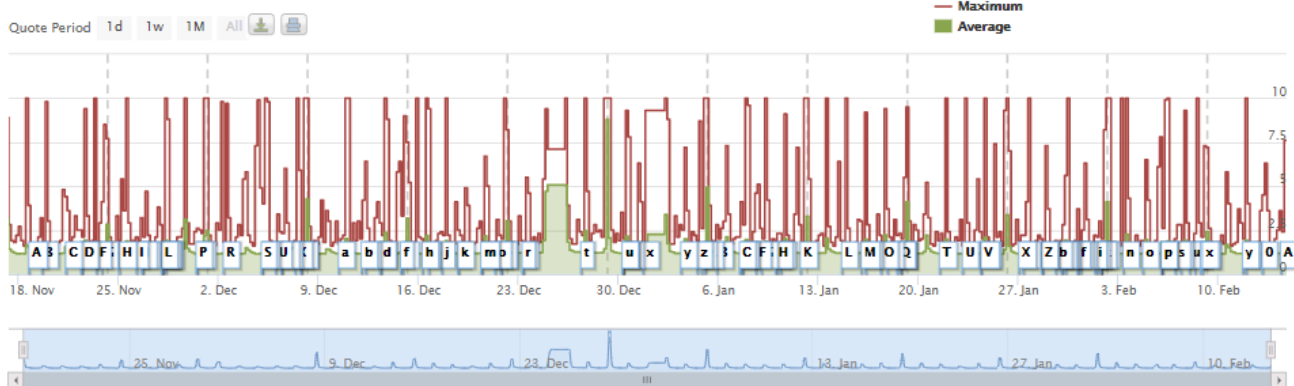
Example: You have open positions in the following currency pairs and metal pairs: EUR/USD - EUR/JPY - XAU/USD. A margin closeout is triggered on Monday at 5:30 p.m. EST, at which time OANDA is open for trading for all currency pairs but closed for all metal pairs. During the 5:30 p.m. margin closeout, all EUR/USD and EUR/JPY trades will automatically close. The XAU/USD positions, however, will remain open as trading metal pairs with OANDA is unavailable at the time of the margin closeout. Trading metal pairs with OANDA resumes at 6:00 p.m. EST – if your account remains in a margin closeout situation at this time, your XAU/USD will automatically close on Monday at 6:00 p.m. EST. If your account is no longer in a margin closeout situation at 6:00 p.m., your XAU/USD position will remain open.

Impact of market conditions on spreads - Rate volatility and changes in global market liquidity can result in large spread increases in the market following news announcements, around market openings and closings, and during times of uncertainty. At such times, OANDA’s spreads will widen to reflect market conditions.

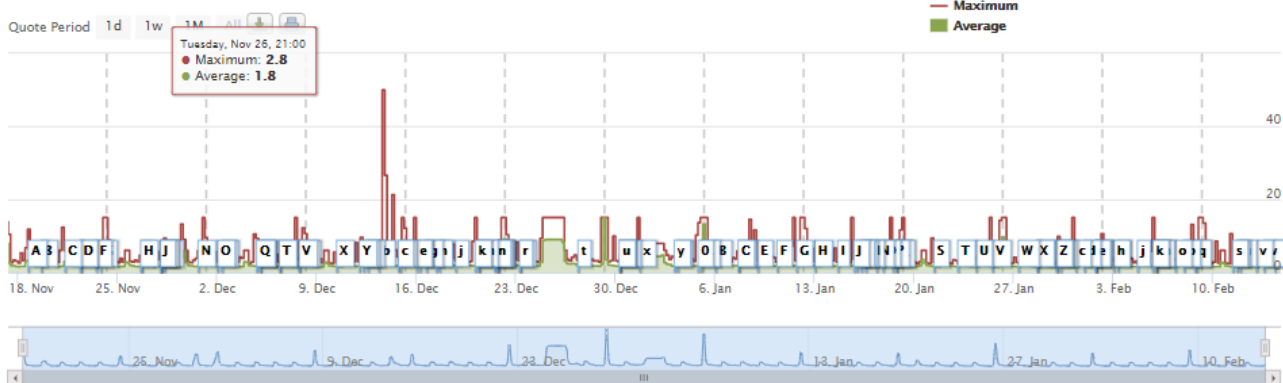
How market volatility can affect your take profit and stop loss orders? When markets are volatile, spreads tend to widen, and rates can change rapidly and even “gap”. A gap occurs when the price of a financial product moves rapidly, up or down with little financial trading between the price movements. Since take profit and stop loss orders are triggered on the bid and ask prices, a higher spread that pushes the bid and ask prices further apart from each other, could trigger and execute your take profit and stop loss orders.

Spread is variable based on market conditions - As OANDA’s spreads are dynamic in nature, you might want to consider historical max spreads when deciding where to place your order.

Historical Spreads: EUR/USD



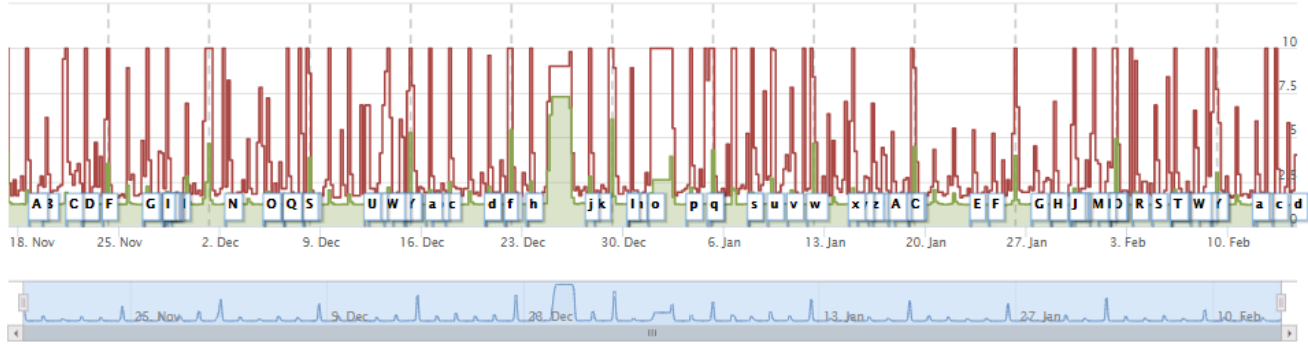
Historical Spreads: GBP/USD





Historical Spreads: USD/JPY

Quote Period 1d 1w 1M All  

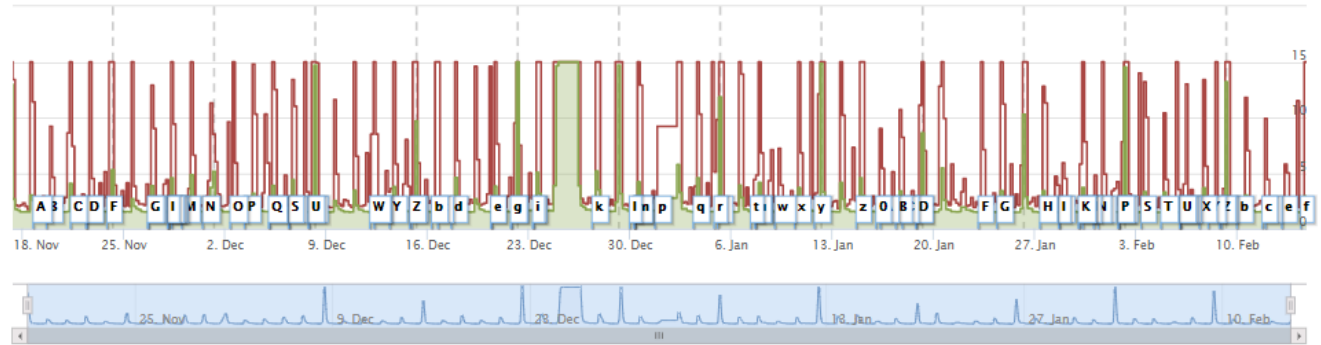
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Historical Spreads: USD/CHF

Quote Period 1d 1w 1M All  

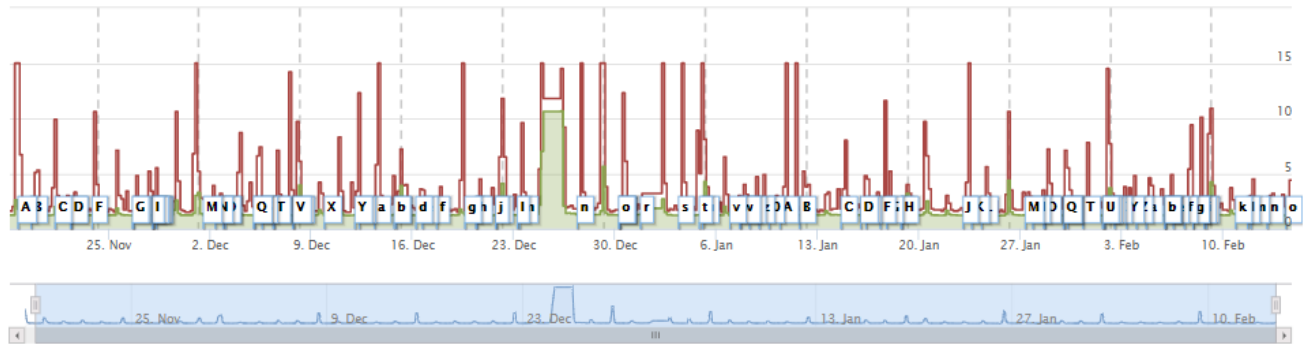
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Historical Spreads: AUD/USD

Quote Period 1d 1w 1M All  

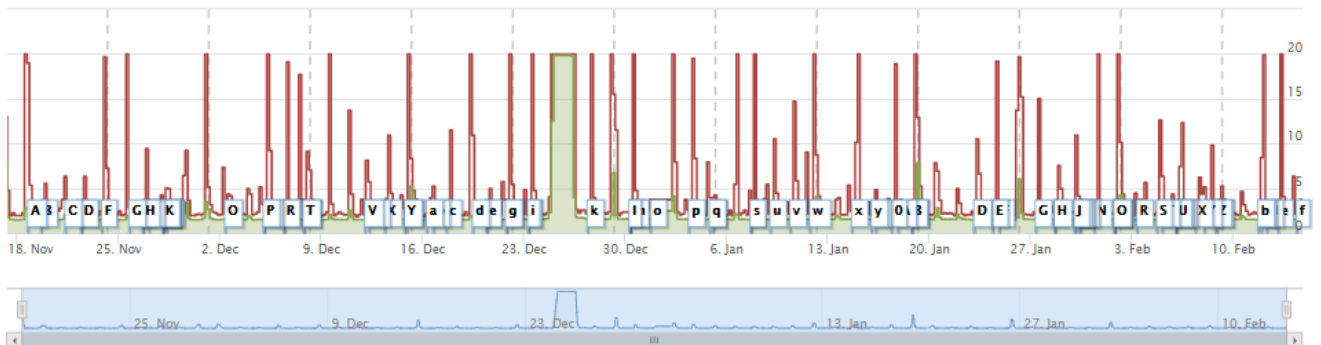
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— Maximum
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Historical Spreads: NZD/USD

Quote Period 1d 1w 1M All  

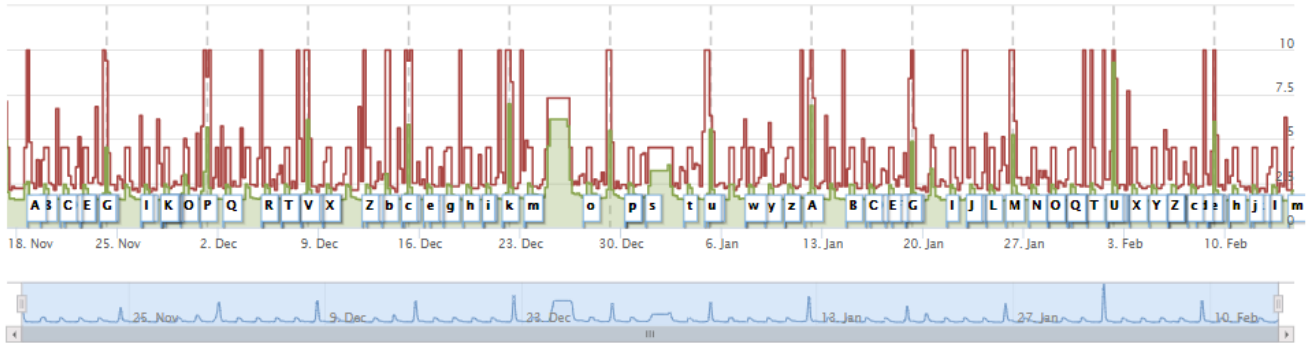
— Minimum
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Historical Spreads: USD/CAD

Quote Period 1d 1w 1M All  

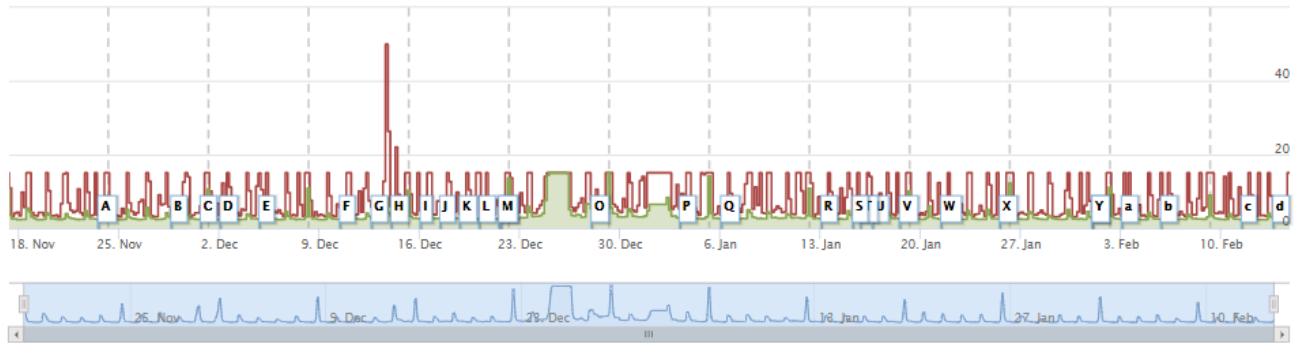
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Historical Spreads: GBP/JPY

Quote Period 1d 1w 1M All  

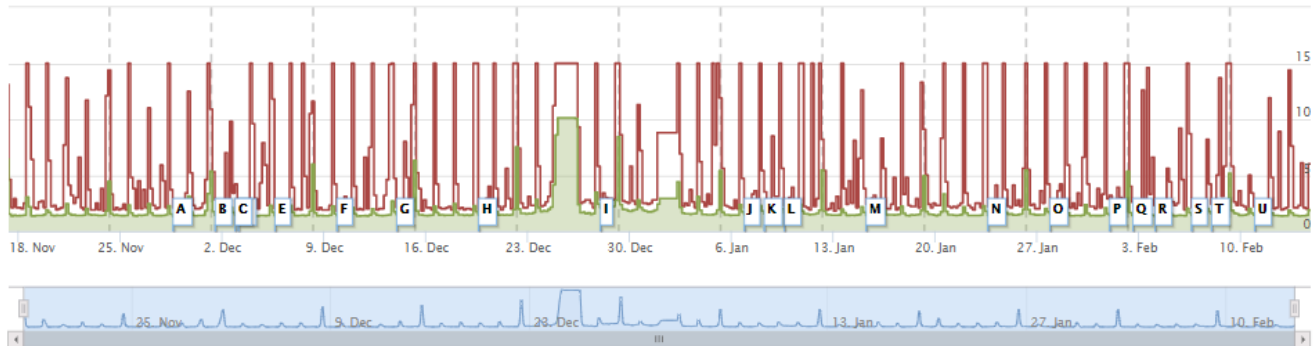
— Minimum
— Maximum
— Average




Historical Spreads: AUD/JPY

Quote Period 1d 1w 1M All  

— Minimum
— Maximum
— Average



Historical Spreads: NZD/JPY

Quote Period 1d 1w 1M All  

— Minimum
— Maximum
— Average

