

Forex Margin Call

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Forex Margin Call



The term Margin Call comes from Stock Market. It is essentially a phone call from the Stock broker asking you to put more funds in your account to sustain the losses from open positions. At this stage trader is required to put more money in the account usually within 24hrs or else the position would be closed at a loss. This loss can very well exceed the total account balance and you may still need to pay Stock broker for the remaining losses. The situation is worsened when you use leverage to borrow money from the stock broker.

In Forex market Margin Call works in a slightly different manner. First off there is no phone call from the broker. Soon after the message all / some of your open positions will be closed to free up some of the margin that was put aside when you opened the position.

The only good thing about Margin Call in Forex market is that you won't lose more money than your total account balance. Most brokers would close out all your positions before you run out of balance in your account. However in some cases where price gaped after the weekend may result in loss beyond your account total balance. I would recommend to check with your broker to find out about their policies regarding Margin Call.

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The risk disclaimer is meant to inform the user of the potential financial risks of engaging in foreign exchange trading. The transaction of such financial instruments known as forex, fx, or currency, and dealt on a valued basis known as 'spot' or 'forward', 'day trading' and 'option', can contain a substantial degree of risk.

Before deciding to undertake such transactions with any other firm offering similar services, a user should carefully evaluate whether his/her financial situation is appropriate for such transactions. Trading foreign exchange may result in a substantial or complete loss of funds and therefore should only be undertaken with risk capital.

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