



When opening a trading account with a Forex broker, the trader must, firstly, become familiar with Trading Operating Procedures. This document determines the rules for carrying out transactions, as well as specifying the legal grounds for resolving disputes between the client and the Company.

Practice shows that only a small number of clients study the Procedures and Client Agreement that they have accepted in the form of a public offer when registering at the broker's website. Considering that these documents determine the general terms for carrying out trading operations, sometimes even experienced traders have difficulty in understanding how his/her order will be exactly executed in this or another market situation.

Realizing the necessity to describe potential problems which a trader will have to encounter, the company developed the Order execution policy, whose purpose is to warn clients of the most difficult aspects of carrying out operations on trading accounts opened in FxBay Live.

SLIPPAGE ON STOP ORDERS (BUY STOP, SELL STOP, STOP LOSS)

The most frequent question asked by amateurs is the following: Why did I place a stop order at one price and it was executed at another? The answer to this question lies in the very nature of the stop order. Firstly, a stop order is a condition, which when executed, sends a market order. In practice, it means: I want to buy/sell at the first available price (i.e. "market price"), if the specific price appears. Secondly, market price setting implies entering into transactions only upon the consent of both parties - the buyer and the seller. That means that it is impossible to execute a stop order according to the price set by the client if there are no such prices in the market (i.e. nobody is willing to buy or sell at this price). This way, in case of a gap (price gap), a stop order can be executed only in accordance with the "gap price" i.e. at the first available price. Therefore, when placing a stop order on the trading account, the trader must realize the possibility of a negative slippage when executing his/her stop order.

POSITIVE SLIPPAGE ON LIMIT ORDERS (BUY LIMIT, SELL LIMIT, TAKE PROFIT)

Regarding limit orders, the opposite logic applies. Limit orders can be executed at the client's price or at the best price available. That means that in case of getting a limit order in a gap, the broker will execute the order at the "gap price" (i.e. at first available price), which will bring the trader an additional income in the form of a positive slippage.



THE SPEED OF ORDER EXECUTION DURING THE PUBLICATION OF ECONOMIC NEWS

In average, the speed of client order execution, from the moment they come to the trading server until the moment a confirmation is sent to the client is 100 ms. However, by virtue of the off-exchange nature of transactions, banks that sell liquidity have the so called "last look" condition that gives them the right to "hold the order in processing until the market condition gets clarified". That means that a trader who sent an order for opening a position at the moment of news is published may encounter low speed of order execution (the speed may be as low as 3 sec). That does not mean that all similar orders will be executed with a delay. However, there is such a possibility, and the company encourages traders to plan for such a risk in their trading system.

FORCED CLOSING OF POSITIONS DUE TO SPREAD WIDENING

Despite the fact that the trader may have a «hedged position», i.e. the short position matches the long position, stop-out (forced closing of positions due to lack of funds) can still occur on the account. As a rule, this situation is the result of spread widening that significantly exceeds average values at the moment of economic news is published. That means that usually a trader has an opportunity to carry out transactions in case of very low spreads; however, the other side of this story will be an unpredictable spread widening when it can't be determined in advance.

TRADING CREDITS

The trading credit is an additional credit leverage that allows a trader to increase a trading position and, as a consequence, potential profit. However, we must not forget that as the position size grows at the expense of additional funds, the amount of potential financial losses that awaits the trader in case of unsuccessful quote change grows, too.

If there are active trading credits on the account, forced closing of positions may take place only in two cases: if the margin level reaches 30% or the amount of funds on the account is below the amount of active credits. The trader must fully realize the risks that arise in case trading credits are used.