

## TRADING AND EXECUTION RISKS

### Slippage

ECM focus on to provide its clients with the best pricing available at any time. Traders will get all orders filled (with minimum or no re-quote) in the shortest time at the market rate. Sometimes, due to an increase in volatility or volume, orders may be subject to slippage. This most commonly occurs for 5<sup>th</sup> decimal symbols, during fundamental news events and other Political or Market announcements.

Due to volatility in the market their might be trading conditions where orders are difficult to execute at the requested rate, since the price might be many pips away due to the extreme market movement. Even though the trader is looking to execute at a specific price, the market might have moved significantly and the order would be filled at the next best price or the fair market value. Similarly, increased volume may also result in slippage if sufficient liquidity does not exist to execute all trades at the requested rate.

Furthermore, once a limit or stop order is triggered, it becomes an at best market order, and there is no guarantee it will be filled at any particular given price. Therefore, limit or stop orders may also experience slippage depending on the market conditions.

### Rejected Orders

When the market is extremely volatile their might be a situation where it is difficult to execute orders at the given price due to an extremely high volume of orders. By the time orders are able to be executed, the bid/ask price at which a counterparty is willing to take a position may be several pips away.

In cases where the liquidity pool is not large enough to fill a Market or Pending order, the order will be rejected until the order can be filled.

### Offquotes

At times of extreme volatility and fast price movement offquotes may occur. It occur because the price the trader wants to execute a trade has moved and the system cannot execute at that level. To avoid extreme cases of slippage an offquote may appear. This helps the trader from excessive slippage.

### Trade Execution Delay

A trade execution delay can happen for several reasons, such as :

1. Technical issues with the trader's internet connection to the ECM servers, which may result in hanging orders.
2. The ECM Trading Station on a trader's computer may not be maintaining a constant connection with the ECM servers due to a lack of signal strength from a wireless or dialup connection.
3. A disturbance in the connection path can sometimes interrupt the signal, and disable the ECM Trading Station, which can cause delays in the transmission of data between the trader's ECM Trading Station and the ECM server.

## Grayed Out Pricing

ECM does not intentionally "gray out" prices; however, this is a condition that occurs when liquidity decreases. Liquidity providers that provide pricing to ECM are not actively making a market for particular currency pairs. Sometimes, a severe increase in the difference of the spread may occur due to a loss of connectivity with a liquidity provider or due to an announcement that has a dramatic effect on the market that dries out liquidity. This graying out of prices or increased spreads may result in margin calls on a trader's account.

## Widened Spreads

ECM main focus is to provide traders with tight, competitive spreads; however, there may be instances when spreads widen beyond the typical spread (Does not applied to our premium client or client under FIXED Spread). During news events spreads may widen substantially in order to compensate for the tremendous amount of volatility in the market. The widened spreads may only last a few seconds or as long as a few minutes. We strongly encourages traders to use caution when trading around news events and economic announcements and always be aware of their account equity, usable margin and market exposure. Widened spreads can adversely affect all positions in an account.

## Gapping

Sometimes there might be gapping in the prices. Sunday's opening prices might or might not be the same as Friday's closing prices. At times, the prices on the Sunday open are near where the prices were on the Friday close. At other times, there might be a significant difference between Friday's close and Sunday's open. The market may gap if there is a significant news announcement or an economic event changing how the market views the value of a currency. Traders holding positions or orders over the weekend should be fully comfortable with the potential of the market to gap. In the case of Pending orders, the limit or stop orders will be executed at the next available price after the gap.

## Weekend Risk (Price Gap)

ECM advice for traders who fear that the markets may be extremely volatile over the weekend, that gapping may occur, or that the potential for weekend risk is not appropriate for their trading style, may simply close out orders and positions ahead of the weekend.

## Liquidity

Generally, the first few hours after the open, the market tends to be thinner than usual until the Tokyo and London market sessions begin. These thinner markets may result in wider spreads, as there are fewer buyers and sellers. This is largely due to the fact that for the first few hours after the open, it is still the weekend in most of the world.

## Margin Calls

You should have good margin deposit so as to secure the larger notional value of your position. Margin trading allows traders to hold a position much larger than their actual account value. ECM trader offers Leverage of up to 1:500 depending on the account type. Obviously, trading on margin comes with risk, since high leverage may work against you as much as it works for you. If account equity falls below margin requirements, the ECM Trading Station will trigger an order to close all open positions. When positions have been over-leveraged or trading losses are incurred to the point that insufficient equity exists to maintain current open positions, a margin call will result, and open positions must be liquidated.

One should keep in mind that when the account's useable margin reaches zero, all open positions are triggered to close. The margin-call process is entirely electronic, and there is no discretion on ECM's part as to the order in which trades are closed. Such discretion would require ECM to actively monitor positions and accounts.

Although the margin call feature is designed to close positions when account equity falls below the margin requirements, there may be instances when liquidity does not exist at the exact margin call rate. As a result, account equity can fall below margin requirements at the time orders are filled, even to the point where equity account becomes negative. This is especially true during market gaps or volatile periods. ECM will not hold traders responsible for deficit balances in this scenario, but clients should be aware that all funds on deposit in an account are subject to loss. ECM also recommends that traders use stop orders to limit downside risk instead of using a margin call as a final stop.

ECM strongly recommends that traders maintain the appropriate amount of margin in their accounts at all times. You may request to change your margin requirement/leverage, which is subject to approval by ECM. Margin requirements may be changed based on account size, simultaneous open positions, trading style, market conditions, and at the discretion of ECM.

Account equity can fall below margin requirements at the time orders are filled, even to the point where equity account becomes negative. This is especially true during market gaps or volatile periods. ECM will not hold traders responsible for deficit balances in this or any scenario, but clients should be aware that all funds on deposit in an account are subject to loss.

## Chart Pricing vs. Prices Displayed on the Platform

It is important to make a distinction between indicative prices (displayed on charts) and executable prices (displayed on the ECM Metatrader Platform in the Market Watch Window). Indicative prices are usually very close to executable prices. Indicative prices only give an indication of where the market is. Only executable prices can be traded.

### Differences in Pricing between Brokers

Because the spot forex market is decentralized meaning it lacks a single central exchange where all transactions are conducted, each forex broker, may quote slightly different prices. The small differences in prices are also due to the different spreads and commissions each broker charges.

### Expert Advisor Trading (EA)

ECM allows to trade with the help of Expert advisors but does not offer support regarding their installation, implementation and proper functioning. This is due to the large number of EA's that are released which makes it impossible for ECM to support them. Therefore, any responsibility for proper functioning of an EA lies with the user of the EA. ECM does not accept liability for the misuse of any EA within the ECM MT4 Client Terminal. Please note that ECM have a hybrid model of 'Instant Execution' and 'Market Execution' model so the user needs to ensure that the EA is compatible with the model.

### Bonus Offerings

Clients should carefully read and understand the terms and conditions for every bonus offering provided by ECM. The responsibility of understanding the terms and conditions lies with the receiver of the bonus or bonuses.