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ECN

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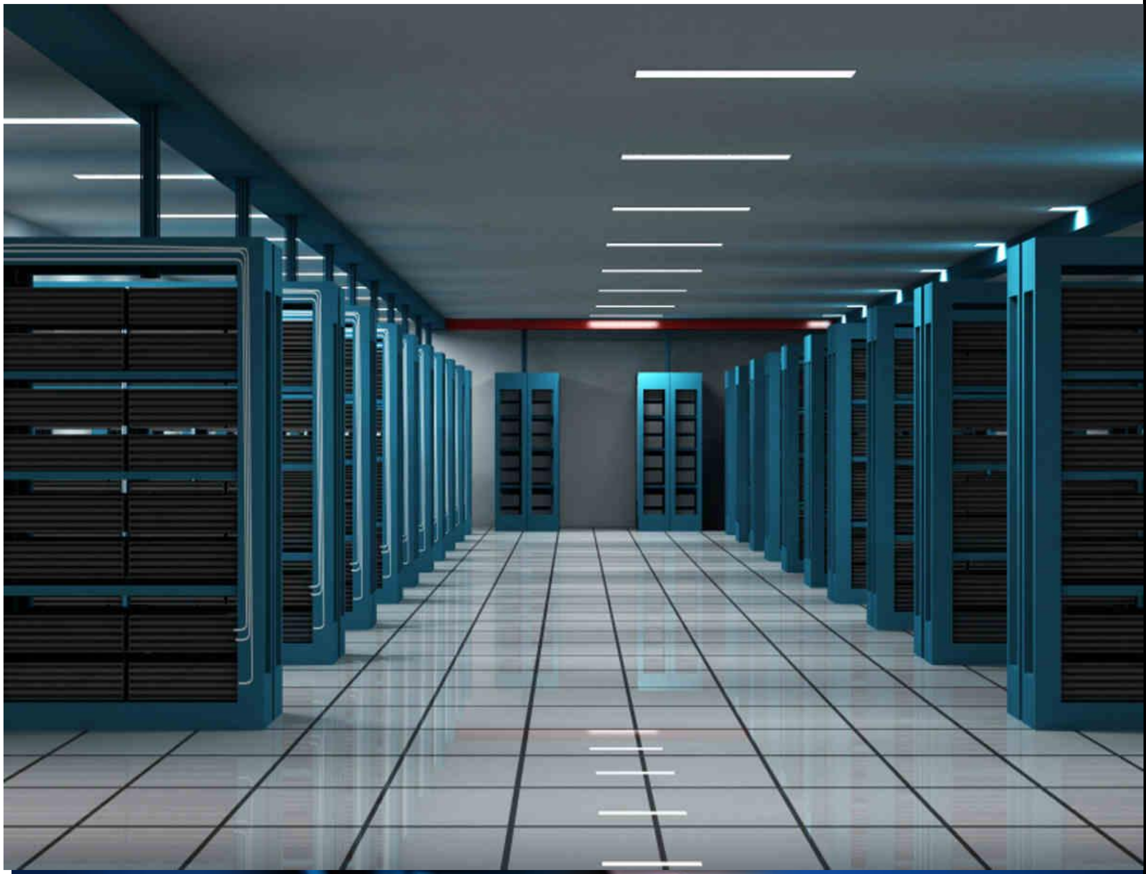

AXIOM TRADERS

Learn to Earn

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ECN Definition

ECN stands for Electronic Communication Network. It is an electronic system that automatically matches the opposing orders of Forex market participants, both consumers and providers of liquidity. ECN network gives access to the real markets, where every trader can benefit from the available liquidity.

ECN network is normally associated with non-dealing desk services, eliminating the need for an intermediary in the order execution process. Forex agents display their own orders, and transact directly with each other in the interbank market.

Brokers that provide a marketplace for ECN trading are called ECN brokers. The most appropriate marketplace requires a selection of favorable terms and conditions, such as narrow spreads, low-latency execution, an absence of re-quotes, a variety of financial instruments, and a chance to apply various trading strategies. Traders pay a fee to a broker for trading in the ECN environment.

The first ECN network appeared in 1969, and was called Instinet. Later, it merged with another popular ECN Island, and grew into Inet.

There were a few other ECNs competing for leadership in the industry, for example, Archipelago and Brut. However, they were integrated into the NASDAQ and NYSE stock exchanges. At present, there are a number of brokerage companies offering ECN finance technology to the Forex market.

Demo ECN

A Demo ECN/STP trading account is often viewed as a transitional stage to a ‘live’ account. It is however used by traders with varying levels of experience. This account type helps beginners at Forex get accustomed to the ECN environment, while professionals would prefer demo trading to build up and master their own trading strategies and styles.

The Demo and Live accounts have identical trading terms.

To start trading Forex we recommend that you download and install the MT4 ECN Trading Terminal and the market depth monitoring application (for example, One Click Trading Level2 Plug-in) to see the 5 best BID and ASK prices and the volumes available at each price.

Live ECN

Live ECN/STP trading accounts, unlike eWallet, is an account used directly when trading on the MT4 ECN platform. Having registered the eWallet with a broker, you are requested to open a trading account. Those who prefer fast order execution and access to interbank liquidity are more inclined to open an ECN/STP account.

ECN/STP account has its own specifications. Unlike accounts of the Market-Maker model, they are specially tailored for high-volume trading and usage of different trading strategies without any restrictions.
Like all trading accounts, the ECN account has its own login (account number), trader password and investor password, assigned after registration. There is no need to verify a trading account if your eWallet has been successfully approved by your broker. Thus, the trading account opening procedure is simplified and requires minimal effort.

There should be drawn a dividing line in perceiving the concepts of ECN/STP and STP trading. The main difference lies in the spread being narrower for ECN/STP and wider for STP accounts.

In STP trading, the commission paid to the broker is included into the difference between the Best BID and the Best ASK prices thus, making the spread wider. As a result, clients may expect better order execution, which is a huge advantage especially when it comes to high-frequency trading.

In the ECN/STP environment, the spread is narrower as a result of commission paid by the traders. It is not the only distinction however. ECN traders are allowed to transact not only with LPs, as in STP system, but with each other as well.

In both cases, orders are executed at the Best price however; this price may vary greatly from the contract price set initially.

To start Forex trading you need to download the MT4 ECN Trading Terminal and install the market depth monitoring application (for example, One Click Trading Level2 Plug-in) to see the 5 best BID and ASK prices and the volumes available at each price.

Expert Advisors

Algorithmic or “algo” trading is a standalone strategy based on the application of mathematical algorithms to aid decisions in ECN trading. These algorithms are fully packaged and are specifically designed to identify the optimum trading conditions (time and price) for a position to be placed.

Algo trading may be implemented by using Expert Advisors (“EAs”), being advanced automated trading systems the use of which facilitates the trading process and compliments human factors such as knowledge level, emotional and psychological state, stress-resistance and the ability to manage multiple tasks. EAs may eliminate the negative effect of these factors on trading activity and also tackle routine operations thus enabling a trader to concentrate on research and analysis.

EA strategy is designed to achieve the low latency execution of trades. To enhance Forex trading efficiency, EAs may also be integrated into news trading i.e., real time news feeds can correlate with automated trading tools resulting in maximized performance and potentially more sizable profit.

Many algo traders strive to create their own trading infrastructure and design personal EAs, including the collation and storage of market data, visualization and logging of numerous trading parameters, back testing etc…however, at present there is a wide choice of robots available for traders in the Forex market e.g., EU Euronis, should you not wish to follow this route.

Trading Terms

Without fully understanding the risks and influenced by the misconception that speculating on the Forex market is the route to instant riches, some traders new to the environment often neglect the basic, key elements required to succeed in this complex environment e.g., leverage, minimum deposit and the maximum balance, transaction sizes and continued margin support all have the potential for negating what could possibly be a sizable profit and are fundamentals which must not be ignored.

It would be difficult to find identical trading terms offered by different ECN brokers, as the ECN environment dictates its own specific rules of interaction distinguishing this system from others. Being fully conversant with the broker’s trading terms may insure you against a number of negative elements such as an unexpected Stop out caused by neglecting the Margin Call option triggered to protect your trading position from severe losses.
The above facts indicate the importance of in-depth analysis of trading conditions provided by different brokerage companies. The information given below is based on the trading terms established by our experts and professional team who have extensive experience and knowledge of ECN brokerage.

ECN Prices and Spreads

ECN Prices

The ECN pricing format is different from traditional 4th decimal point pricing, typical of the Market-Maker model. ECN accounts are characterized with a 5th decimal point pricing format. They operate with 'fractional pips' where 1 'fractional' pip with 0.1 lot (10 000 units of base currency), is approximately equal to $0.1 (10 US Cents).

Spread

The term "DAB" is preferable in the ECN environment than the commonly used term "spread." DAB stands for the difference between the best BID and the best Offer (ASK) and it is not fixed. DAB is constantly changing as a result of the influence of the available buy and sell orders in the Market. The floating DAB is a principle feature in distinguishing ECN from the Market Maker type of trading.

Market Maker model is usually pegged to a fixed DAB that varies from broker to broker. The fixed DAB is often associated with certain stability and thus, may inspire confidence, especially when you start your trading career in Forex. It is however, wider than the floating DAB, which may range within 2 to 4 pips on the major currency pairs.

The minimum possible DAB in the ECN environment is 0 pips and this parameter is related to all financial instruments. Thus being not so tight, floating DAB in the ECN model of trading – helps to save money. There may be some cases when an unfixed DAB may turn into a disadvantage; e.g., after a major news release or during the unexpected market events when a floating DAB can widen significantly and cause sizable losses.

One of the major attractions of ECN trading is that you are provided with real-time access to True ECN pricing. It means you can see the best BID and best Offer (ASK) prices along with the available volumes as they have been set by the Liquidity Providers. This is achieved through a special application – Order Book, commonly referred to as Level2 or Depth of Market, which helps obtain a complete picture of the market situation by showing full information on current orders, including Limit orders of the company's clients. This application and its updates (One Click Trading Level2 Plug-in) are strongly recommended to Forex traders for their trading activity.

Scalping

Scalping is a popular trading strategy based on profiting from the quick opening and closing of positions within an almost immediate time span thus potentially generating profits, which if combined, may total sizable gains. It requires intensive trading, high concentration, quick reactions and the constant monitoring of all your positions and adjusting your actions every time the market moves against you. Scalping is time consuming and therefore may not suit those seeking additional income.

In the Market Maker model you cannot scalp without restrictions, while ECN trading sets no limits to this strategy. You may have your position open within seconds and set a SL, TP and Stop and Limit orders any distance away from the current price, including within the spread. Most importantly is that the ECN gives access to the Liquidity of most known LPs and major banks that may positively aid your trading strategies. You may also use automated trading systems coupled with your scalping techniques to potentially multiply your odds of success. Having designed your own Expert Advisor, you will be able to avoid more routine operations and focus on the analytical aspects of trading. Scalping can also be used as a supplementary strategy.

ProScalpingFX

ProScalpingFX is an Expert Advisor, designed specifically for a trading strategy known as scalping. Following this style, a trader is signaled to open a position during price pullbacks. The most peculiar thing typical of this strategy is that positions are usually opened during the periods of high volatility in the market, triggered by the release of key economic news or other important data in the USA or Euro-zone.

The ProScalpingFX strategy is tailored for the EUR/USD currency pair, mainly due to its high liquidity in Forex. This trading tool is characterized by narrow spreads, and a low potential for slippage. All these factors are highly beneficial to scalpers.

In the ProScalpingFX strategy, there are basically two instruments for catching trading signals - Fibonacci levels and the WPR oscillator.

The release of important macroeconomic news makes a price go downward sharply within the day time frame. As soon as the market correction is initiated, the currency pair starts going up in price. As a rule of thumb, it takes place 2-4 hours after the first price change. When the price reaches 23.6% of Fibonacci level, the WPR oscillator parameters should be factored in. If the WPR is above -20, a trader usually goes short setting 10 pips of Take Profit and 30 pips of Stop Loss. The same scenario is observed when opening Buy orders.

ProScalpingFX benefits:

- More than 80% of trades are profitable;
- The EA operates with low drawdown (10-20%);
- The average life of an open position is 45 min;
- ProScalpingFX is compatible with other EAs.

The ProScalpingFX EA is not Martingale based and is perfect as a supplementary Advisor.

Hedging

Hedging is viewed by Forex traders as a strategy to protect themselves from considerable losses. It helps minimize risks and insure against unexpected market movements.

When entering a direct hedge you simultaneously open Buy and Sell positions for the same currency pair(s) with the same volume thus, lowering the risk of losses but not eliminating it. With both positions open, a Forex trader may profit on them depending on what direction the market takes. If the market moves against the first trade, countering profits may be made on the hedge but the market situation must be monitored closely to ensure a timely close and thus a successful hedge.

Hedging is often used by traders new to Forex who wish to negate insofar as is possible the risks associated with Forex trading however, a more complicated variant of hedging is also possible. It involves two different currency pairs to hedge a particular currency being on the other side of both pairs thus, if you wish to hedge GBP exposure, you open different trades in opposite directions: going short EUR/ GBP and going long GBP /CHF. Hedging can also be used as a supplementary strategy in ECN trading.

Triple SWAP Strategy

Traders, knowing the specifics of SWAP calculation, try to generate income by retaining an open position after the trading session closure. Although in most cases SWAP is negative i.e., a certain amount is deducted from a trader’s account, some currency pairs are characterized by positive SWAP parameters i.e., certain funds are credited to the trader’s account.

Some traders believe that the most substantial gain however can be achieved at the end of the trading session on Wednesday, when a triple Swap is charged; therefore they usually open large-volume positions within a short time frame in the hope of making a profit. This is actually the essence of their strategy. The positions are not held open for a long time but closed almost immediately after the positive SWAP occurs thus, speculators may buy currency 20-30 seconds before the SWAP is charged and close the position i.e., go short, 10-15 seconds after the rollover is credited to their account.

It must be clearly understood that during those 40-50 seconds from the placement of such position until its liquidation a “settlement” procedure is implemented in full. The settlement is provided by banks and LPs to enable traders to retain their positions open after the session is closed. It is generally associated with the rollover procedure when an execution of two opposite trades takes place with one liquidating the previously opened position and the other one reopening an identical position of the same volume but at a different price with the payment for overnight placement factored in.

The settlement is carried out for all contracts including short-time positions opened by triple-SWAP speculators. The haste with which they open trades is reasoned by the danger of adverse price movements, which may result in substantial losses which may be impossible to recover even by the use of a Triple SWAP. Positions are opened and liquidated within seconds, achievable through the application of advanced Triple SWAP Expert Advisors. Some Market-Makers are aware of such tactics and, therefore may influence the price by trying to control and protect the market from the use of such strategies.

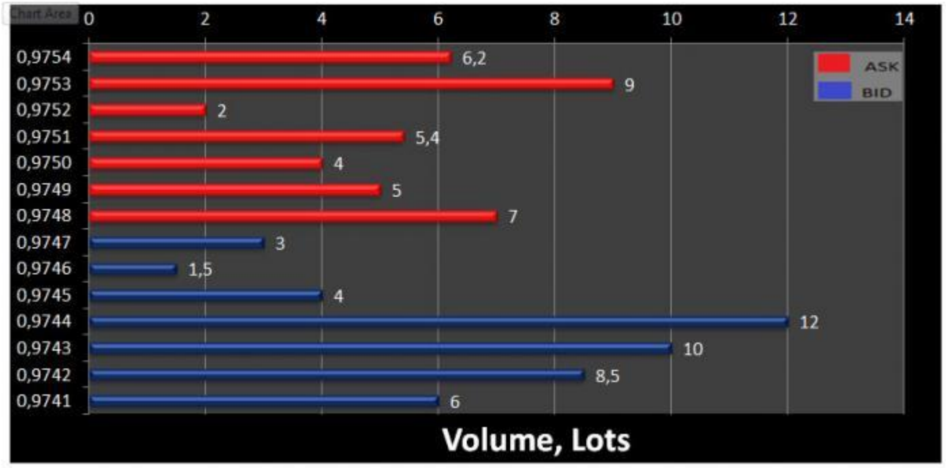
The fluctuations of the currency pair during the process of settlement may affect the yield. If there has been no change to the quote or it has suddenly soared, a trader may come out of the trade with a gain or no proceeds at all however, they could get a positive SWAP credited to their account. In the case of adverse price movements a trader may incur losses that could be covered by positive SWAP payments. The gain will come in the form of the difference between the positive SWAP and the incurred losses coupled with the commission paid to the broker.

Let’s take an example, where the AUD interest rate is considerably higher than the USD interest rate which results in a disproportion of AUDUSD long and short positions with the volume of long positions exceeding the short positions on the market. When the trading session is over, the settlement procedure is launched. Long positions on AUDUSD are closed, which triggers more sales in Australian dollar. This process is naturally followed by decreases in the BID quotes and the widening of the difference between the Best ASK and the Best BID with little or no change to the ASK quotes. The BID price goes up after reopening of those trades i.e., after AUD repurchase, which eventually helps to normalize the different values.

In the ECN environment BID and ASK prices are displayed in the Depth of Market (Level2), which is constantly refilled by the data provided by the Liquidity Providers (LPs) as well as a broker’s own book of limit orders.

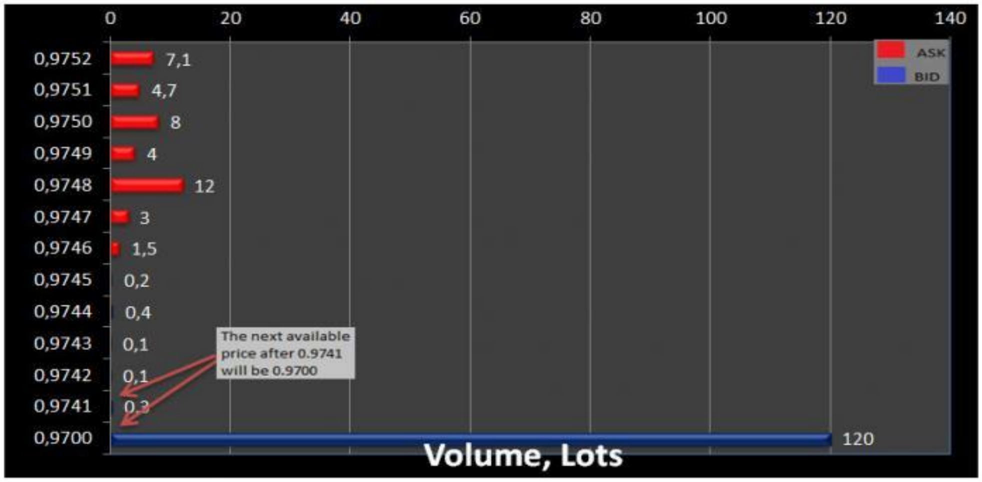
The Depth of Market may look as follows:

Pending Buy and Sell orders are grouped in line with the stated price with the BestBid and BestAsk displayed in the corresponding charts:



The settlement process (session closing) requires the liquidation of all positions followed by their further reopening with SWAP factored in. Given that a deal is closed by a deal on the opposite side, the Bank should sell the previously opened contracts to liquidate a Buy order.

When the number of long positions exceeds the number of short ones, the pool of orders in the Market



Depth looks as follows during the settlement:

A large volume of LPs' Buy Limit orders is consolidating at a price level that differs greatly from the current one (the volume of 120 lots at a price of 0.9700). As for the Buy limit orders of a broker's clients, their share in total liquidity is much less (the price ranges from 0.9745 to 0.9741).

The BestBid and BestAsk prices are displayed on charts at a given moment in time. These prices stand for order execution prices however, the available volumes to buy or sell currencies at such prices may be negligibly small and if a large-volume order is placed, the execution price will be much worse than the displayed best prices. The current BestAsk price in the Market Depth is 0.9746, while the BestBid price is 0.9745. If there are no new orders placed by clients or LPs this short timeframe, the Sell Limit order of 1.5 lots' volume at the price 0.9746 (Ask price) will be matched with Buy Limit orders of 1.1 lots' total volume (0,2+0,4+0,1+0,1+0,3) at prices ranging from 0.9745 to 0.9741 (Bid prices). In this case 0.9700 will be the next available Bid price. Such a price gap may trigger a spike on the chart.

The Bid price will be maintained in the next few seconds after the reopening of AUDUSD long positions with SWAP factored in.

In case of a low Margin Level, a client's positions could be liquidated in line with the Stop Out procedure. If a price Gap occurs, all deals will be automatically closed at the first available price after Gap, which may consequently lead to negative trading balances.

Example 1:

Deal	Login	Time	Type	Symbol	Volume	Price	S / L	T / P	Time	Price	Commissi...	Swap	USD	Comment
2 *****	3 *****	2012.05.16 23:59	buy	audusd	31.10	0.99148	0.00000	0.00000	2012.05.16 23:59	0.99131	-154.18	793.05	-528.70	

A client places a Buy order of 31.10 lots' volume on AUDUSD at 23:59 server time. A few seconds later, after the settlement and SWAP procedures, they close their position. Despite the fact that the client comes out of the trade with the loss of - US$528.70 and pays commission of - US$154.18 to the broker for opening a position, they cover losses by SWAP charge equal to US$793.05 and net a profit of US$110.17.

Due to an insufficient Margin Level and low liquidity in the market (e.g., large-volume trading), a trader may incur losses and squander most of their deposit.

Example 2:

2 *****	3 *****	2012.05.23 23:59	buy	audusd	25.40	0.97462	0.00000	0.00000	2012.05.24 00:00	0.97000	-123.78	0.00	-11 734.80	so: -138.66%/-6892.08/497...

A client has US$5,026 in their account. They open a position with the volume of 25.40 lots with a Margin Level of US$4,951. Due to an abrupt price movement an order is automatically liquidated resulting in a Stop Out procedure. The client's losses are US$11,734.80, while commissions to the broker totaled US$123.78.

The use of Triple SWAP Strategy requires thorough market analysis and is associated with high risks.

Forex Arbitrage (MT4 Expert Advisor)

Forex Arbitrage is an Expert Advisor based on the concept of arbitrage in the trading process. A trader opens Buy and Sell orders of the same volume with different brokers and profits on the floating value of these positions, i.e., a trader can choose the best suitable moment to open and liquidate a position.

The main aim of this type of strategy is to calculate the spread between the two trades opened with different brokers. It's evident that you should enter a trade on the minimum spread and wait for the maximum spread to close a position.

The final step is to update the Open.Spread4Open.pips option of the Forex Arbitrage EA, and set the minimum spread difference to open an order. After another update, we set the required profit to close the positions.

Safe Arbitrage

Safe Arbitrage is an Expert Advisor using no indicators in its operation. It is considered to be an advantage, as this feature greatly contributes to making steady profits, irrespective of the market situation and prevailing trends.

Safe Arbitrage users have worked out a specific trading strategy, i.e., they tend to simultaneously open Buy and Sell Market and Pending orders. Once the EA determines the direction of the price movement, it automatically closes pending orders opposite to the short-term trend, and keeps on opening positions following the trend by the same rules. In this case, the main goal of the Safe Arbitrage EA is to get the maximum profit per trade. In the end, the trader gets a healthy profit, given the fact that the EA opens trades constantly and with a high frequency.

The EA developers say there can be a 1% profit per day if the EA is adjusted for aggressive trading, while moderate trading may bring around a 10% profit per month.

The Safe Arbitrage download file with .mq4 extension should be placed in the MT4 folder, followed by a terminal system restart. The EA gets connected with the chart of a trading tool (EURUSD or GBPUSD) by dragging it from the Navigator window. It's not necessary to make changes in the following window. At any rate, only two parameters can be modified - i.e., the Take Profit and Start Lot. They should be changed with the deposit size and trading style factored in.

The leverage is commonly set at 1:1000 or 1:500, while the minimum deposit size reaches US$100 in cent equivalent. Safe Arbitrage is viewed as one of the most efficient tools.

Level 2

The Market Depth monitoring application, commonly known as Level2 or Order Book, is an essential tool for trading in the ECN environment. This tool displays indicative prices and enables Forex traders to see the Best Bid and the Best Ask along with their volumes so that they could adjust their strategy and make an informed decision when opening a position.

The DAB parameters may be insufficient especially with regard to high-frequency trading. The information based on the difference between the best BID and the best ASK (the DAB) may be unsatisfactory as BestBid and BestAsk charts may show lower volumes than expected therefore, consulting the Market Depth (Order Book) data is recommended.

The Order Book displays liquidity of external Liquidity Providers and Limit Orders, belonging to the traders of an internal system. The information, provided by the Order Book, is especially important in large-volume trading when it is required to estimate the approximate price levels for order execution or to obtain statistics on a financial instrument's selling pressure or buying support during price movements.

ECN Fees

The ECN fee, or ECN commission, is a small fixed amount charged for the automated processing of orders through the Electronic Communication Network (ECN). Every market participant using the ECN technology for opening/closing a position must pay a fee for each transaction.

The size of the fee is set by a brokerage company, and it varies greatly. ECN fees may range depending on a broker's ECN system and the customers' trading volume. The ECN fee may be charged in one or two directions, depending on whether a trade has been opened or both opened and closed. In this case, the

commission is called half-turn, or round-turn, respectively.

A trader agrees to pay a commission for the narrower spread offered by an ECN broker. In the Market Maker model of Forex trading, there is no commission paid to the broker, but there are much wider spreads. So, an ECN fee is a charge for the privilege of trading with lower spreads.

There are specific formulas to calculate the ECN commission, paid for the advantages associated with ECN technologies. In addition, there are certain applications available that have been developed to facilitate the process of calculations.

For example, WWL broker offers its customers a proprietary product, WWL ECN Commission Calculator. This tool is available in the customers' personal back office area, and is always at hand when the ECN fee needs to be calculated.

Leverage

"Leverage" or "gearing" is one of the key principles of Forex trading. Using this option you can multiply your gains depending on the way you trade. Thus, you can deposit $1,000 but actually trade $100,000, resulting in a 100:1 leverage factor. Accordingly, 1 pip in a losing position makes $10.

The available leverage levels at FXOpen:

- *1:100 - for accounts with balance less than $1,000*
- *1:1 - 1:500 - for accounts from $1,000 up to $25,000*
- *1:1 - 1:200 - for accounts from $25,000 up to $100,000*
- *1:1 - 1:100 - for accounts from $100,000 up to $1,000,000*

The leverage for accounts with the balance of over $1,000,000 is negotiable.

The basic principle in leveraged trading is as follows: the higher the leverage, the higher the trading risks. A beginner at Forex is advised to keep to the "golden middle" and choose the standard leverage parameter of 1:100.

Margin Call and Stop out

Margin Call is the possible outcome of trading when they opened positions start approaching levels that require maintenance. Clients should constantly monitor their trading activity and react promptly by either closing a losing position or topping up their balance.

In ECN trading the Margin Call occurs when the Margin Level falls below 100%, where Margin Level stands for Equity-to-Margin ratio. It means that as soon as the Equity (balance +/- profit/loss) falls below the margin requirement, a client is recommended to equalize the margin used to open a position with the equity of the trading account.

Stop out is the possible outcome of trading when the broker closes a client's losing position because of the insufficient Margin requirement on their trading account (critical situation). This option is triggered automatically when the Margin Level falls below 50%. It means that as soon as the Equity falls below

50% of the Margin used to open a position, it is closed by the broker to prevent a client from going into debt.

In conclusion, Margin Call and Stop out options are characteristics of the customer-oriented approach in ECN trading. They allow a certain level of security without constantly monitoring Margin Level indicators and reflect a good example of broker-to-client cooperation.

Maximum balance

Two basic models of trading generally exist in the Forex market: Market-Maker ("MM") and ECN. There can be certain restrictions on the MM model such as maximum and minimum deposits, balance, leverage, transaction size, etc… The ECN model is perceived by Forex traders as more competitive because of fewer conditions.

These parameters can vary depending on the type of account offered by different brokers.

For example, when comparing the maximum balance option available in MM and ECN, WWL's Micro account (MM model) has a maximum balance of US$3,000. When it reaches US$3,000 or more, a restriction on leverage is triggered i.e., it is reduced by a weighting of x 100 e.g., from 1:500 to 1:5.

In ECN accounts, the maximum balance is unlimited. If your trading strategy allows, you may switch into large-volume trading with the potential for higher profits, although equally, you will not be protected from the potential for substantial losses.

Traders should choose the model best suited to their requirements with their own controls and risk management factored in.

Minimum deposit

The minimum deposit is $1,000 in ECN trading. This amount is determined by the specifics of ECN trading. The ECN market is highly volatile and its dynamics are constantly changing. Due to this volatility a price may suddenly move against you, and if your deposit is small, you may incur sizable losses. To mitigate this risk, maintain positive balance, regularly top-up your account and be prepared for the unexpected. Knowing the basics of risk management will help you stay "risk neutral" and not succumb to a gambling instinct when making your first profits.

The open account process is a simple one. To open an account with ECN broker, you need to:

- go to ECN Brokers website; or contact WWL to find a good ECN Broker;

- click Open Live Account or Open Real Account;
- follow the process to open the account.

Customers are also offered a wide range of credit/debit card deposit options. After selecting the card type, the country of the issuer bank and the currency, the customer is guided by the system through the best and most convenient payment processor.

The process is relatively short and funds are instantly added to your ECN e-wallet or trading account.

Transaction sizes

If we take 10,000 units of base currency, the minimum transaction size, offered by ECN broker, amounts to 0.1 lots with an incremental lot of 0.01. The term “fractional” pip is typical of the ECN model of trading. 1 fractional pip with 0.1 lot of trading volume is approximately equal to $0.1.

The maximum transaction size for ECN accounts depends on the available liquidity i.e., a certain number of buyers and sellers ready to become counterparties for your order at current prices. The deal will be executed provided the available liquidity on a certain currency pair is sufficient to complete a trade. In periods of low liquidity, however, an order may be executed only partially.

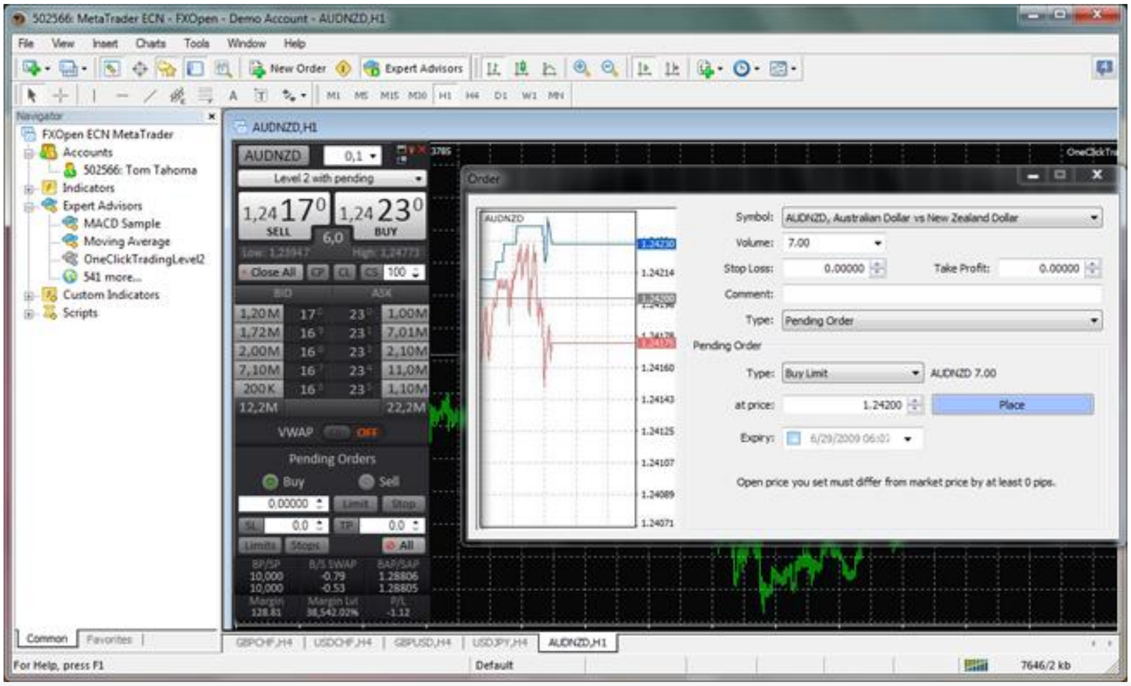
Limit Orders

Limit Order is a pending Buy or Sell order that is executed when the price reaches the limit value specified when placing a position. A Buy Limit order is executed at the limit price or lower, while a Sell Limit, at the limit price or higher. It means that the opened position is filled at the indicated price or better.

The placement and execution of Limit orders takes place when there are sufficient funds to meet the margin requirements at a particular moment of time, otherwise Limit orders are sent to the internal ECN system. There, Limit orders appear in the Market Depth (Level 2) and are displayed to other ECN participants in the interbank. They are sent for execution when there are sufficient funds to open a limit order and its price gets closer to the current market price values.

Limit Orders can also be placed within the DAB (the difference between the Best Bid and the Best Ask).

Partial execution is typical of Limit orders, especially in periods of high volatility or low liquidity. If there is no counter position within the required volume, the order is executed only partially however, the remaining part is not cancelled as in case with Market orders. It is displayed in the market until another counter position with a corresponding price and volume of a specified trading instrument appears. Then the initially placed position is filled completely.



Market Orders

Market order is a Buy or Sell order that is executed in the fastest way possible but not always at the best price you expect. The execution of the Market order triggers the following mechanism: the system finds the best price as counterparty for the Bid/Offer for a particular trading instrument. The system also analyzes the available volume of the counter positions to find the most suitable one. Let us assume that the Bid price for GBP/JPY is 1.5876. The best available Ask price is 1.5878, therefore, if you buy GBP/JPY at the market provided and as a result of matching other parameters, it is sold to you at the offered Ask price of 1.5878.

There are cases however, when Market orders are not executed at the desired price. Due to market high volatility, your order may not be filled at the price you see when placing a position, but at the price the moment your order reaches the market and the gap between these two price values may vary greatly. It is however, not the worst scenario that might happen in case of a more rapid price movement.

Another reason for the difference in the price values is insufficient volume when processing an order. In this case an order can be executed at multiple prices i.e., the required volume is made up from the other positions (volumes) available in the Market Depth. In this case the order is filled at a volume weighted average price (VWAP).

Let us take a Sell order of 100 lots' volume. The Depth of Market data displays the following available volumes:

Volume available in Market Depth	Price Bid	Volume to Execute an order
5	1.28389	100
25.1	1.28386	35
10	1.28388	95
57.2	1.28385	9.9
50	1.28387	85

There is no required volume that would provide a single block thus, we need to carry out a few transactions and calculate the average price. The whole procedure is given below:

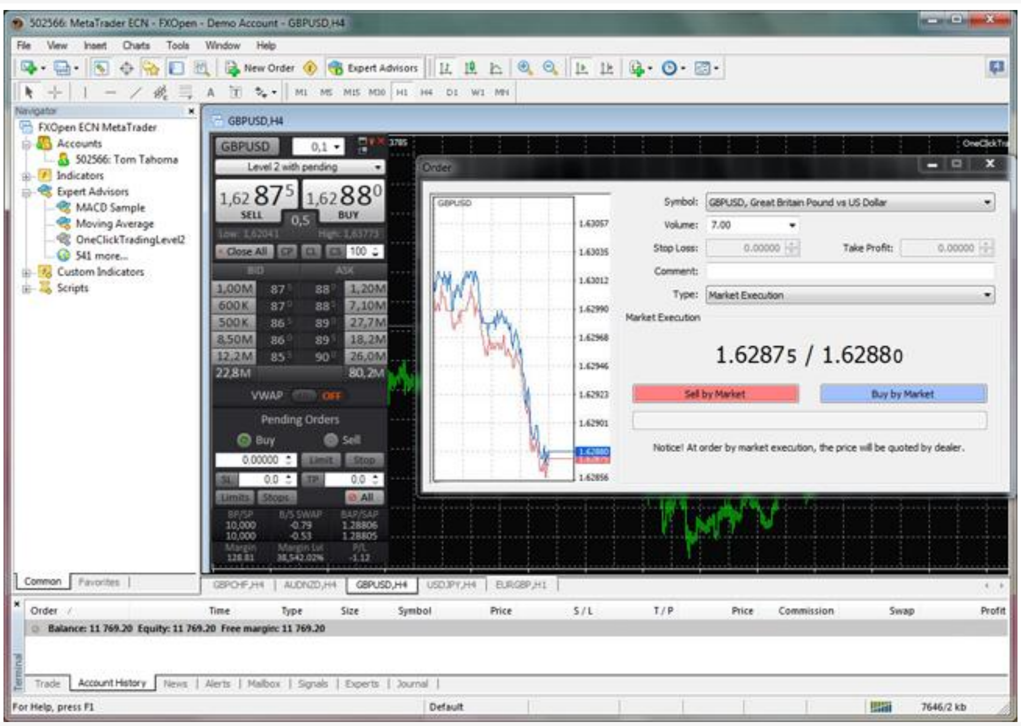
1. Each available volume is multiplied by the corresponding price:
    a. 5 x 1.28389 = 6.41945;
    b. 25.1 x 1.28386 = 32.224886; etc…
2. The previously obtained values are summarized to calculate the total price:
    a. 6.41945+32.224886+etc… = 128.386751
3. The total price is divided by the total order volume to get the WAP:
    a. 128.386751 / 100 = 1.28386751 (rounded to 1.28386)

The whole procedure is automated, takes only a few moments and requires no additional steps from a trader.

Through lack of liquidity however, a partial order execution may occur. When the requested order to open a position exceeds the available volume in the Market Depth at a certain point in time only a part of the order volume can be executed while the other part is cancelled. The owner of the partially filled position gets a notification with further details. It should also be noted that a Stop Loss and Take

Profit cannot be set during the order placement in the “Market Execution” mode however; these parameters can be added to already open positions with application of the Modification option.
Example of Open Market Order

Stop Loss and Take Profit

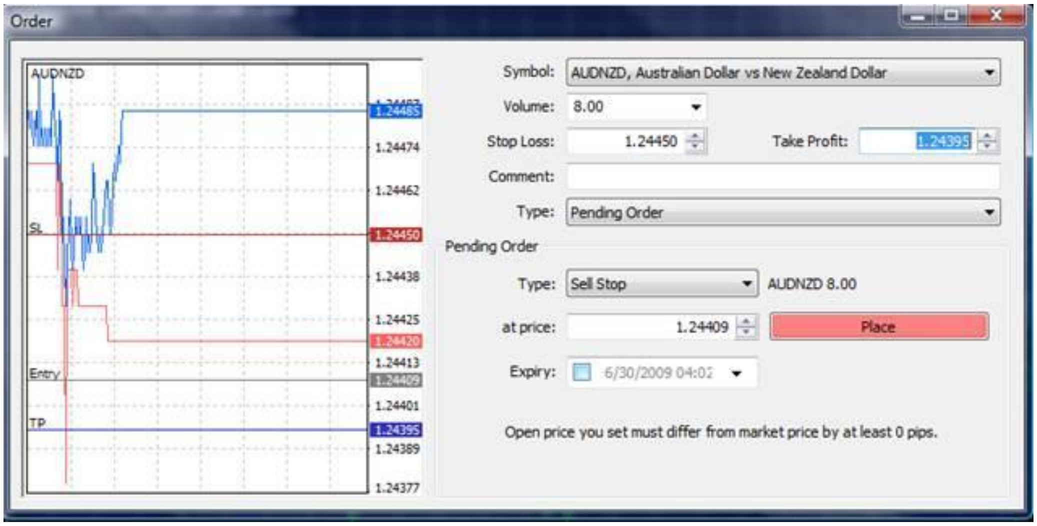


Stop Loss (ST) and Take Profit (TP) are orders that are automatically attached to a pending order when placing a position. As for the Market order, ST and TP parameters can be added to the existing positions by the Modification mode. SL and TP exist only in conjunction with other orders. SL orders follow the Market order pattern of execution, while the execution of a TP is very similar to that of Limit orders.

The Stop Loss option is triggered to mitigate risks and minimize losses in ECN trading if the market starts moving against you. When the price reaches the initially specified level the position is automatically closed at the price currently available in the market therefore, the execution price is not always the best or desired one.

In case a SL order level falls within a Price gap, the position is filled at a quote given in the Price Flow when the Price Gap is over.
A SL order level, set close to the pending order opening price, may trigger the immediate closure of the position.

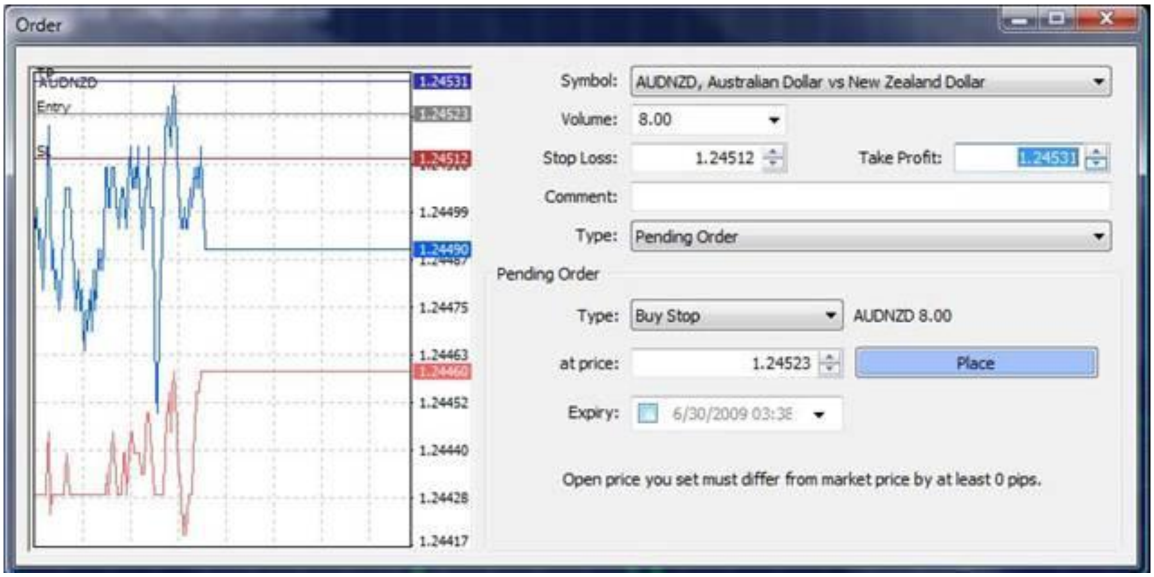
The Take Profit option is triggered to obtain higher profits. A position is automatically closed when a trading tool's price reaches the TP level. In periods of low liquidity however, a TP may be only partially executed and consequently, the remainder of the position stays open until there is enough liquidity and the price reaches the TP level. If the price reverses and moves against the client, they may incur considerable losses.



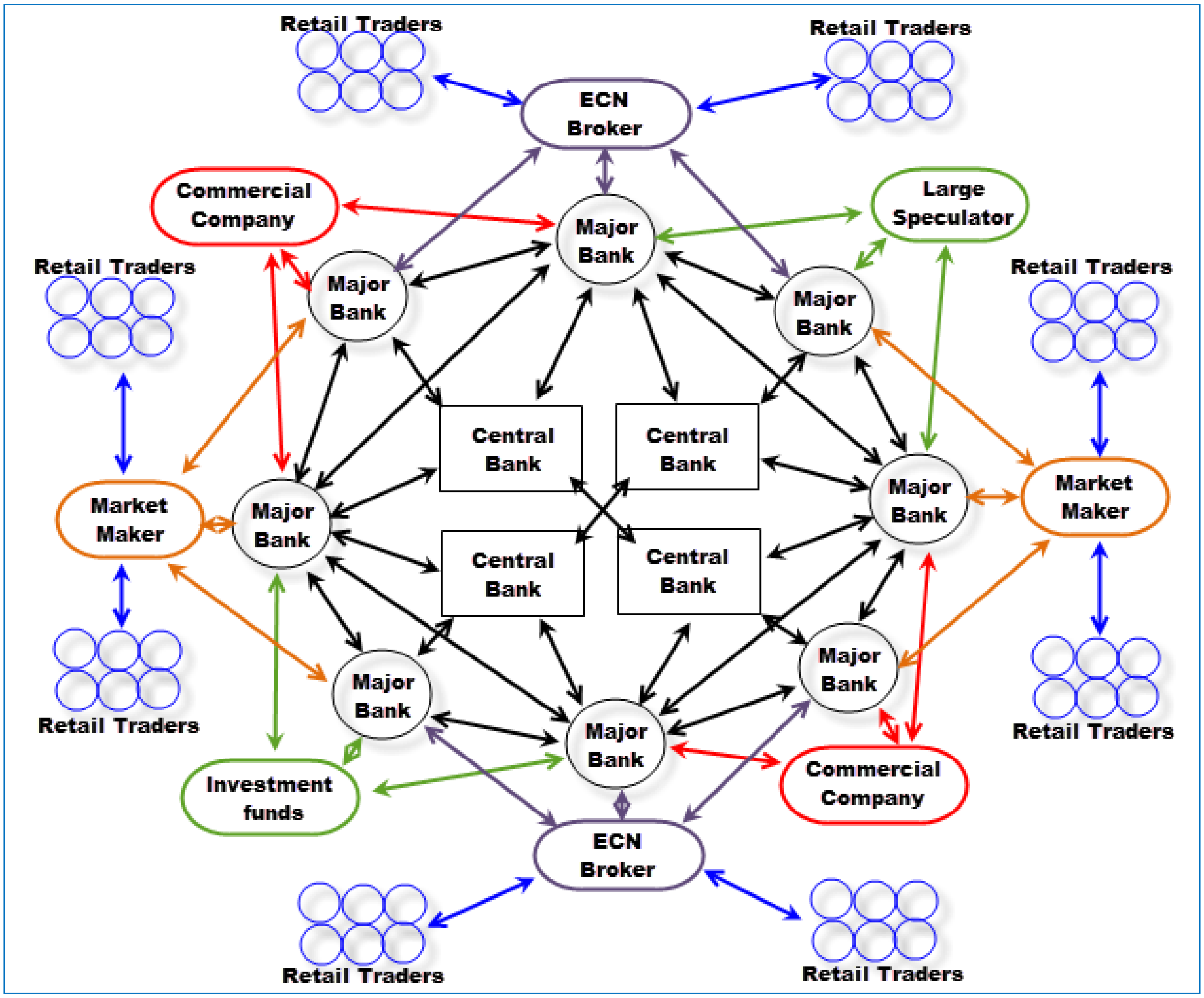
Stop Orders

Stop Order is a pending Buy or Sell order that is executed automatically when the price reaches the value specified when placing a position. A Sell Stop is placed below the current market price, while a Buy Stop is above the current market price. It means that the bid price is always worse than the current one in Stop orders. Additionally, when the market is highly volatile, Stop Orders may be executed at a price different from the initially set value.

Stop Loss and Take Profit parameters can be set for Stop Orders.



Forex Trading Network



Back Office Segments


EURUSD - EUR/USD Spot 1.3059 (+1.38%) 3 minutes 8:19
EURUSD - EUR/USD Spot 1.3002 (+0.94%) 3 minutes 10:28
2 days
3 minutes
Indicator/Backtest
Price
©ProRealTime.com Data is real time
Stochastic (14 3 3)
MACD (12 26 9)
Commodity Channel index (15)

Figure 2


EURUSDm,M1 1.1716 1.1716 1.1715 1.1716
= Draw a Fib Line from last significant low(long)/high(short) before break of SAR to the high/low of the bar that broke the SAR
Profit Target at 161.8 Fib Level or +8 Pips (whichever is greater)
Now you have your entry at the 50% level
Stop Loss is Last Signifcant Low/High +/- 2 Pips

Figure 3

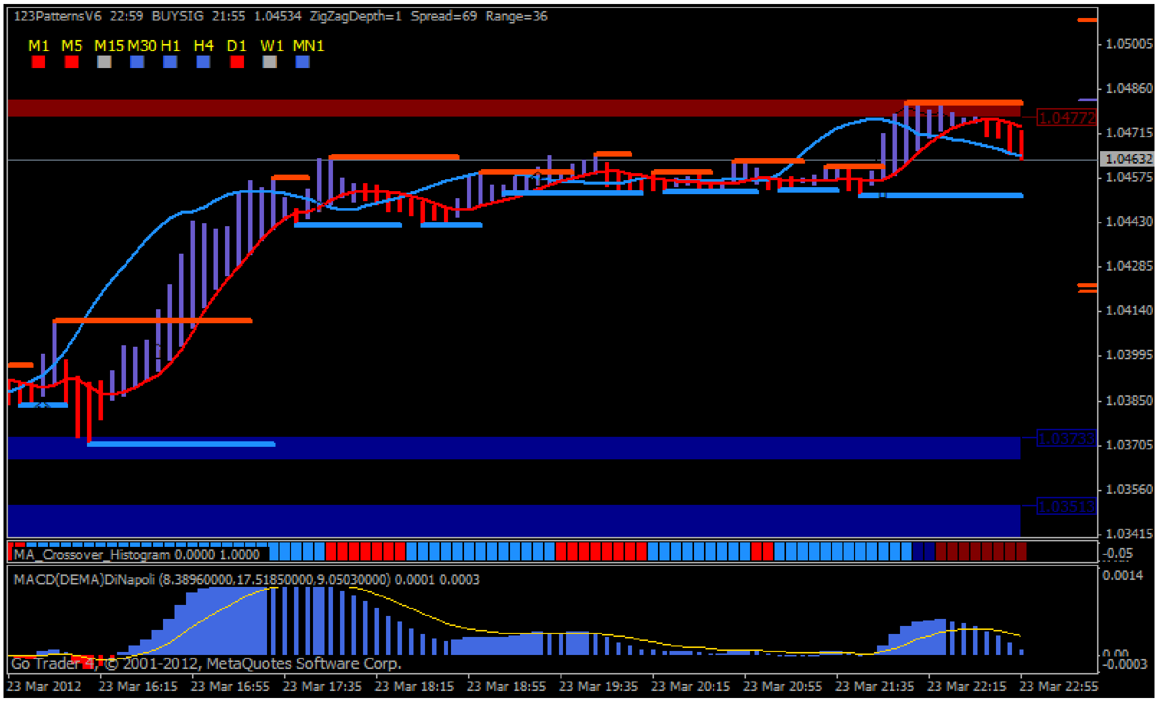
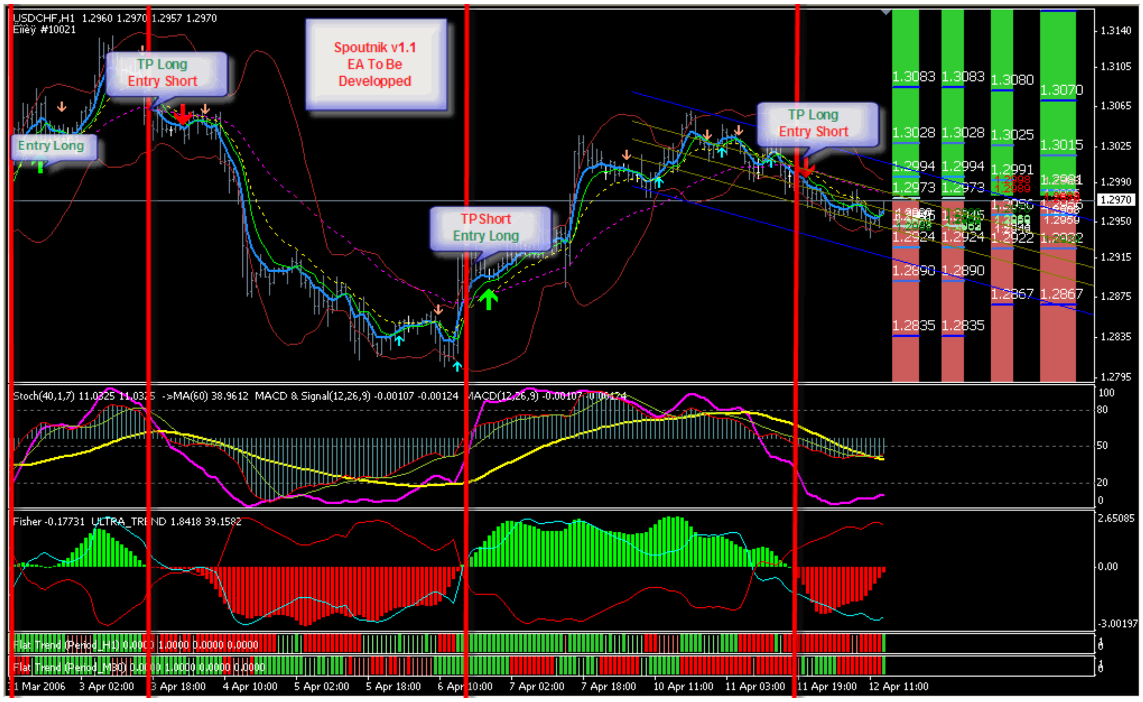


Figure 4

Figure 5


USDCHF,H1 1.2960 1.2970 1.2957 1.2970
TP Long
Entry Short
Spoutnik v1.1
EA To Be
Developped
Entry Long
TP Short
Entry Long
TP Long
Entry Short