Fully Hedged Stop Out Risk Warning

Version 1.0

CHARTER PRIME

DEFINATION OF FULLY HEDGING

Fully hedging happens is when traders realize that their open positions might be at risk and may result in the loss of some assets and money at the time market becomes volatile, thereby, open a new equal-sized position on the same trading instrument, but in opposite direction, in order to decrease exposure and the probability of suffering loss.

MARGIN REQUIREMENT ON FULLY HEDGED POSITION

Clients are not required to pay any margin (zero margin requirement) upon fully hedging a position with Charterprime.

SWAPS

Charterprime will charge swaps on all open positions when the positions is held overnight, including but not limited to hedged positions, on the Client's account. The client will be responsible for any debit or credits to the Client's account subject to current market swaps rates.

ROLLOVER

Charterprime will automatically rollover all open positions of commodities futures, including but not limited to hedged positions of commodities futures. The Client is fully responsible for any debit or credits to the Client's account subject to current rollover charges of different commodities futures, including but not limited to crude oil and Brent oil.

HEDGE STOP OUT

Stop Out could also occur even though the client has already fully hedged all positions. This is due to there being certain costs like cost of spread and swaps that the client has to pay even when all positions are full hedged. When market experiences bouts of volatility, including but not limited to, economic uncertainty, monetary or fiscal policy changes, financial contagion and geopolitical tension, prices can move extremely fast and spreads can become easily bigger even for major pairs. Widening spreads are a warning because it is associated with decrease in equity.

The table below shows the impact of equity due to widening spreads and narrowing spread of EURUSD:

For example, current locked position:

Order Number	Type	Open Price	Lot Size
101	Buy	1.00000	1
102	Sell	1.00500	1

Market price (When spread is 0.5):

Ask Price	1.01305
Bid Price	1.01300

Order Profit/Loss:

Order Number	Type	Open Price	Lot Size	Market Price	Profit/Loss
101	Buy	1.00000	1	1.01300	1300
102	Sell	1.00500	1	1.01305	-805
				Total Profit/Loss	495

Market price (When spread widen to 10):

Ask Price	1.02100
Bid Price	1.02000

Order Profit/Loss:

Order Number	Type	Open Price	Lot Size	Market Price	Profit/Loss
101	Buy	1.00000	1	1.02000	2000
102	Sell	1.00500	1	1.02100	-1600
				Total Profit/Loss	400

Conclusion: For large spread moves, profit will be reduced (from 495 USD to 400 USD). Decrease in profit will reduce the amount of equity.

Equity = Account Balance + Floating Profit/Loss

For example, current locked position:

Order Number	Type	Open Price	Lot Size
103	Buy	1.00000	1
104	Sell	1.00500	1

Market price (When spread is 5.5) :

Ask Price	1.01355
Bid Price	1.01300

Order Profit/Loss:

Order Number	Type	Open Price	Lot Size	Market Price	Profit/Loss
103	Buy	1.00000	1	1.01300	1300
104	Sell	1.00500	1	1.01355	-855
				Total Profit/Loss	445

Market Price (When spread narrowed to 1.5):

Ask Price	1.02015
Bid Price	1.02000

Order Profit/Loss:

Order Number	Type	Open Price	Lot Size	Market Price	Profit/Loss
103	Buy	1.00000	1	1.02000	2000
104	Sell	1.00500	1	1.02015	-1515
				Total Profit/Loss	485

Conclusion: Narrow spreads will increase the total profit (from 445 USD to 485 USD) and amount of equity.

Equity = Account Balance + Floating Profit/Loss

When the equity of client's account becomes **Zero** or **lower than Zero**, all of a client's active positions in Charterprime will be closed automatically **(Stop Out)**.

DISCLAIMER CLAUSE

a. Charterprime will not be held liable for any losses incurred by clients in connection with, including but not limited to, economic uncertainty, monetary or fiscal policy changes, financial contagion or geopolitical tension, when clients have a hedged position.
b. Charterprime will not be liable to compensate any losses arising from, including but not limited to, economic uncertainty, monetary or fiscal policy changes, financial contagion or geopolitical tension, when clients have a hedged position.
c. Charterprime shall be entitled or has right of recourse against the negative equity incurred by clients due to, including but not limited to, economic uncertainty, monetary or fiscal policy changes, financial contagion or geopolitical tension, when clients have a hedged position.

RISK WARNING NOTICE

It is impossible to predict the actual time a stop out occurs on a trading account, as it is impossible to estimate the price or spread at any time in the fast-moving currency market.

Thereby, the client should prepare enough funds in their trading accounts as client orders are not necessarily executed at the last-traded price, especially during the release of news during important events, which include US Nonfarm Payroll (NFP), Federal Open Market Committee (FOMC) Meeting or others, during which equity markets could inevitably experience occasional bouts of heightened volatility, and widened spreads could possibly adversely affect all positions in an account.

Besides that, forced liquidation could also happen when the margin level reaches the stop out level. Clients have to pay certain amount of margin when opening a trading position, and either decrease exposure or top up balance if margin levels reach a certain level. If clients fail to meet margin requirement, their trading positions will be closed automatically.