# FX Tiered Margin Methodology

SAXO BANK

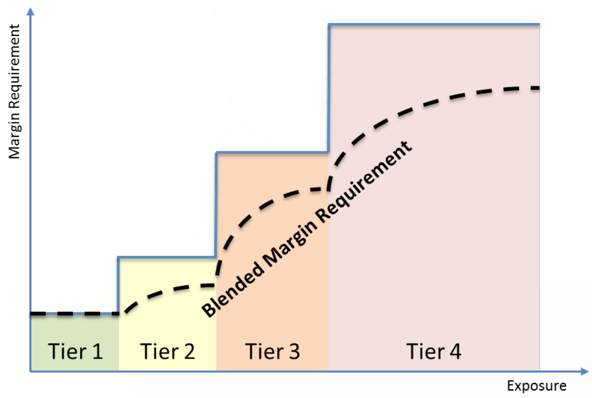
## INTRODUCTION

Saxo offers tiered margin methodology as a mechanism to manage political and economic events that may lead to the market becoming volatile and changing rapidly. Tiered margin refers to applying different margin requirements at different levels of exposure, i.e. a low margin requirement for a small level of exposure and a high margin requirement for large level of exposure.

The different levels of exposure (or tiers) are defined as an absolute number of U.S. Dollars (USD) across all currency pairs. In each exposure tier a margin requirement for each currency pair is defined. This means that the exposure in a given currency pair is converted to a USD exposure and the margin requirement is calculated using the margin requirement defined in each exposure tier. Please note: the per-trade "margin impact" will be displayed in the base currency of the client account; converted at the prevailing spot rate.

### WHAT IS TIERED MARGIN?

With tiered margin, the average margin requirement ('Blended Margin Requirement') increases with the level of exposure. The opposite is also true; as the level of exposure decreases the margin requirement also decreases. This concept is illustrated below:




Margin requirement depends on the net exposure across currency pairs (e.g. positions in EURUSD, USDJPY and EURJPY can in principle net out by pair). With tiered margin, the margin requirement is per currency pair based on the total exposure within that pair.

### HOW ARE TIERS DEFINED?

Exposure tiers (in USD) are defined globally (across all currency pairs) as:

| Tier 1 | Tier 2 | Tier 3 | Tier 4 | Tier 5 | Tier 6 | Tier 7 | Tier 8 | Tier 9 | Tier 10 |
|---|---|---|---|---|---|---|---|---|---|
| 0-1M | 1-3M | 3-5M | 5-10M | 10-25M | 25-50M | 50-100M | 100-150M | 150-250M | 250+ |

Each currency pair has a specific margin requirement in each tier. However, for display purposes, when different tiers have the same margin requirement, they are merged into one tier i.e. each currency pair can have up to a maximum of ten exposure tiers.

In the case of EURUSD there are only six tiers:
- Tier 1-5 are merged, since they have a margin requirement of 1.5%

| Cross | Sector | Exposure | Margin Requirement |
|---|---|---|---|
| EURUSD | Major | <25M | 1.5% |
| | | 25-50M | 2.5% |
| | | 50-100M | 3.0% |
| | | 100-150M | 3.5% |
| | | 150-200M | 4.5% |
| | | 250M+ | 5.0% |

The margin requirements for each currency pair are displayed on the Saxo website (www.home.saxo) as well as in the SaxoTrader platforms, under Trading Conditions.

## HOW TO FIND MARGIN REQUIREMENT IN THE TRADE TICKET?

SaxoTraderGO illustration:

You buy 1,000,000 EURUSD as you expect EUR to increase in value against USD. The trade ticket on your trading platform will display the margin required for making the trade as:

EUR 1,000,0000 x 1.5% = EUR 15,000