

# Margin Jargon Cheat Sheet

## Balance

### DEFINITION:

Balance is the total amount of cash you have in your trading account.

### ALSO CALLED:

- Account Balance
- Cash

## Unrealized P/L

### DEFINITION:

Unrealized P/L is the current profit or loss (P/L) held in your open positions.

### ALSO CALLED:

- Floating P/L
- Unrealized Profit or Loss
- Floating Profit or Loss

# Margin Requirement (Per Position)

## DEFINITION:

Margin Requirement is the amount of margin required to open a position. It is expressed as a percentage (%) of the “full position” size or “Notional Value” of the position you wish to open.

# Required Margin (Per Position)

## DEFINITION:

Required Margin is the money that is set aside and “locked up” when you open a trade.

## ALSO CALLED:

- Entry Margin
- Initial Margin
- Initial Entry Margin
- Margin Required
- Maintenance Margin Required (MMR)

## HOW TO CALCULATE:

If the base currency is the SAME as your account’s currency:

$$\text{Required Margin} = \text{Notional Value} \times \text{Margin Requirement}$$

If the base currency is the DIFFERENT from your account’s currency:

$$\text{Required Margin} = \text{Notional Value} \times \text{Exchange Rate Between Base Currency and Account Current} \times \text{Margin Requirement}$$

# Used Margin

## DEFINITION:

Used Margin is the TOTAL amount of margin currently in use to maintain all open positions.

Said differently, it is the SUM of all Required Margin being used.

## ALSO CALLED:

- Maintenance Margin
- Maintenance Margin Required (MMR)
- Margin Used

## HOW TO CALCULATE:

Used Margin is simply the sum of Required Margin for ALL open positions.

**Used Margin = Total Required Margin for ALL Open Positions**

# Equity

## DEFINITION:

Equity is your account balance plus the floating profit (or loss) of all your open positions. Equity represents the "real-time" value of your account.

## ALSO CALLED:

- Account Equity
- Net Asset Value
- Margin Closeout Value

## HOW TO CALCULATE:

If you have open positions:

$$\text{Equity} = \text{Balance} + \text{Floating Profit (or Loss)}$$

If you do NOT have any positions open:

$$\text{Equity} = \text{Balance}$$

# Free Margin

## DEFINITION:

Free Margin is the money that is NOT “locked up” due to an open position and can be used to open new positions.

When this value is at zero or less, a Margin Call is triggered and additional positions cannot be opened.

## ALSO CALLED:

- Available Margin
- Usable Margin
- Usable Maintenance Margin
- Margin Available
- “Available to Trade”

## HOW TO CALCULATE:

$$\text{Free Margin} = \text{Equity} - \text{Used Margin}$$

# Margin Level

## DEFINITION:

Margin Level is the ratio between Equity and Used Margin. It is expressed as a percentage (%).

For example, if your Equity is \$5,000 and the Used Margin is \$1,000, the Margin Level is 500%.

## ALSO CALLED:

- Margin Indicator

## HOW TO CALCULATE:

$$\text{Margin Level} = (\text{Equity} / \text{Used Margin}) \times 100\%$$

# Margin Call Level

## DEFINITION:

The Margin Call Level is the specific level (%) where if your Margin Level is equal or below it, you won't be able to open any new positions.

## ALSO CALLED:

- Minimum Margin Requirement
- Minimum Required Margin

## HOW TO CALCULATE:

**Margin Call Level = Margin Level at X%**

# Margin Call (Event)

## DEFINITION:

A Margin Call means you are below Margin Call Level but above the Stop Out Level. A Margin Call, is essentially a WARNING, telling you that your account isn't doing too well and that you are close to having your open positions liquidated at market price. You are still allowed to keep your current positions open but you can't open new positions.

## ALSO CALLED:

- Margin Call Warning

# Stop Out Level

## DEFINITION:

The Stop Out Level is the specific level (%) where if your Margin Level is equal or below it, your broker will automatically start closing your positions until the Margin Level is greater than the Stop Out Level. The Stop Out Level is equal or lower than the Margin Call Level.

## ALSO CALLED:

- Liquidation Margin
- Margin Closeout
- Margin Close Out (MCO)

## HOW TO CALCULATE:

**Stop Out Level = Margin Level at X%**

# Stop Out (Event)

## DEFINITION:

A Stop Out, which happens once the Stop Out Level has been breached, is when open positions will be automatically closed until the Margin Level is back above the Stop Out Level.

## ALSO CALLED:

- Liquidation