



# **TRADING AND EXECUTION POLICY**

June 2013

## **1. Slippage**

The objective of Sterling Gent Trading Ltd (SGT) is to provide its clients with the best pricing available at **ALL** times and to get all orders filled at the requested rate. However, there are times when, due to an increase in volatility or volume, orders may be subject to slippage. This most commonly occurs during fundamental news events and other Market announcements.

The volatility in the market can create trading conditions where orders are difficult to execute at the requested rate. Similarly, increased volume may also result in slippage if sufficient liquidity does not exist to execute all trades at the requested rate.

## **2. Rejected Orders**

Extreme Market volatility creates conditions that make it difficult to execute orders at the given price due to an extremely high volume of orders. By 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.

## **3. Trade Execution Delay**

A delay in execution can happen for several reasons, such as technical issues with the trader's internet connection to the SGT servers, which may result in hanging orders. The SGT Trading platform on a trader's computer may not be maintaining a constant connection with the SGT servers due to a lack of signal strength from a wireless or dialup connection.

A disturbance in the connection path can sometimes interrupt the signal, and disable the SGT Trading platform, which can cause delays in the transmission of data between the trader's SGT Trading platform and the SGT server.

## **4. Grayed Out Pricing**

SGT does not intentionally "gray out" prices; however, this is a condition that occurs when liquidity decreases, and liquidity providers that provide pricing to SGT are not actively making a market for particular currency pair. Such a situation can increase spreads which may result in margin calls on a trader's account.

## **5. Widened Spreads**

SGT prides itself on tight, competitive spreads; however, there may be instances when spreads widen beyond the typical 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.

SGT 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.

## **6. Weekend Risk**

Traders, who fear the potential for weekend risk, may simply close out orders and positions ahead of the weekend. News events can cause significant movement at the open and there is the potential for price gaps to occur.

## **7. Liquidity**

Please be aware that during 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 market participants.

## **8. Margin Calls**

Margin trading allows traders to hold a position much larger than their actual account value. SGT offers Leverage of up to 400:1. 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 SGT Trading platform 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 closed.

Please 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 SGT's part as to the order in which trades are closed.

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. SGT will not hold traders responsible for **NEGATIVE** balances in this scenario, but clients should be aware that all funds on deposit in an account are subject to loss. SGT also recommends that traders use stop orders to limit downside risk instead of using a margin call as a final stop.

SGT 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 SGT. Margin requirements may be changed at the discretion of SGT.

### **9. 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 SGT's Trading Platform in the Market Watch Window). Only executable prices can be traded.

### **10. 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.

### **11. Expert Advisor Trading (EA)**

SGT allows trading via Expert Advisors but does not offer support regarding their installation, implementation and proper functioning. Therefore, any responsibility for proper functioning of an EA lies with the user of the EA. SGT does not accept liability for the misuse of any EA within the SGT MT4 Client Terminal.

### **12. Bonus Offerings**

Clients should carefully read and understand the terms and conditions for every bonus offering provided by SGT.