Execution Risks
FXCM Bullion Limited
Trading Execution Risks

OTC GOLD/SILVER BULLION EXECUTION TRADING RISKS

Trading Over the Counter gold/silver bullion (OTC Gold/Silver Bullion) on margin carries a high level of risk, and may not be suitable for all investors. Before deciding to trade these products offered by FXCM you should carefully consider your objectives, financial situation, needs and level of experience. FXCM provides general advice that does not take into account your objectives, financial situation or needs. The content of this Website must not be construed as personal advice. The possibility exists that you could sustain losses in excess of your deposited funds and therefore, you should not speculate with capital that you cannot afford to lose. You should be aware of all the risks associated with trading on margin. FXCM recommends you seek advice from a separate financial advisor.

OTC Gold/Silver Bullion is not regulated by the Securities and Futures Commission ("SFC") and therefore trading OTC Gold/Silver Bullion will not be subject to rules or regulations promulgated by the SFC. Before trading, FXCM strongly recommends you familiarize yourself with the OTC Gold/Silver Bullion Product.

FXCM MARKET OPINIONS

Any opinions, news, research, analyses, prices, or other information contained on this website is provided as general market commentary, and does not constitute investment advice. FXCM will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information.

INTERNET TRADING RISKS

There are risks associated with utilizing an Internet-based deal execution trading system including, but not limited to, the failure of hardware, software, and Internet connection. Since FXCM does not control signal power, its reception or routing via the Internet, configuration of your equipment or reliability of its connection, we cannot be responsible for communication failures, distortions or delays when trading via the Internet. FXCM employs backup systems and contingency plans to minimize the possibility of system failure which includes allowing clients to trade via telephone is available.

DEALING DESK ("DD") EXECUTION MODEL

OTC Gold/Silver Bullion is generally subject to Dealing Desk Execution. FXCM reserves the right to switch a client's execution to No Dealing Desk without prior consent from client, for any reason, including but not limited to, the product being traded, trading style of client, or volume traded. FXCM does not generally execute OTC Gold/Silver Bullion orders with an external counterparty. FXCM is the final counterparty for most OTC Gold/Silver Bullion positions which you undertake. Please note that as the final counterparty FXCM may receive compensation beyond our standard fixed mark-up. FXCM makes prices for the OTC Gold/Silver Bullion it offers to its clients. Although these prices may be indicative of the underlying market for the product being traded they do not represent the actual prices of the underlying asset on the physical market or exchange where it is listed.
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SLIPPAGE

FXCM aims to provide clients with the best execution available 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. Slippage most commonly occurs during fundamental news events or periods of limited liquidity. During periods such as these, your order type, quantity demanded, and specific order instructions can have an impact on the overall execution you receive.

Examples of specific order instructions include:

**Good Till Cancelled ("GTC") Orders:** Your entire order will be filled at the next available price(s) at the time it is received.

**Immediate or Cancel ("IOC") Orders:** All or part of your order will be filled at the next available price with the remaining amount cancelled should liquidity not exist to fill your order immediately.

**Fill or Kill ("FOK") Orders:** The order must be filled in its entirety or not at all.

The volatility in the market may create conditions where orders are difficult to execute. For instance, the price you receive in the execution of your order might be many pips away from the selected or quoted price due to market movement. In this scenario, the trader is looking to execute at a certain price but in a split second, for example, the market may have moved significantly away from that price. The trader's order would then be filled at the next price available price for that specific order. Similarly, given FXCM's models for execution, sufficient liquidity must exist to execute all trades at any price.

FXCM provides a number of basic and advanced order types to help clients mitigate execution risk. One way to mitigate the risk associated with slippage is to utilize the "Market Range" (Max Deviation for MT4 users) feature on FXCM's Platforms. The "Market Range" feature allows traders to specify the amount of potential slippage they are willing to accept on a market order by defining a range. Zero indicates that no slippage is permitted. By selecting zero on the "Market Range", the trader is requesting his order to be executed only at the selected or quoted price, not any other price. Traders may elect to accept a wider range of permissible slippage to raise the probability of having their order(s) executed. In this scenario the order will be filled at the best price available within the specified range. For instance, a client may indicate that he is willing to be filled within 2 pips of his requested order price. The system would then fill the client within the acceptable range (in this instance, 2 pips) if sufficient liquidity exists. If the order cannot be filled within the specified range, the order will not be filled. Please note, Market Range orders specify a negative range only. If a more preferential rate is available at the time of execution traders are not limited by the specified range for the amount of positive price improvement they can receive.

Additionally, when triggered, stop orders become a market order available for execution at the next available market price. Stop orders guarantee execution but do not guarantee a particular price. Therefore, stop orders may incur slippage depending on market conditions.

LIQUIDITY

When trading OTC Gold/Silver Bullion with FXCM, FXCM is the final counterparty to these transactions. Therefore, FXCM provides the liquidity for the instruments it extends to its clients while dealing as counterparty. Available liquidity is dependent on the overall market conditions, specifically based upon the underlying reference market for the instrument. As in all financial markets, some instruments within the market will have greater depth of liquidity than others. When trading instruments with less depth of liquidity, there may be concerns including but not limited to, impacting the prices at which we offer to trade with you, the inability to execute the trade due to lack of market activity, differences in the prices quoted and final execution received, delay in execution. With these considerations in mind, it is imperative that clients should factor liquidity risk into any trading decisions. In addition, all clients are advised to
consider their overall trading strategy, size of the transaction, market conditions, and order type before placing a trade.

**DELAYS IN EXECUTION**

A delay in execution may occur for various reasons, such as technical issues with the trader’s internet connection to FXCM; or by a lack of available liquidity for the instrument that the trader is attempting to trade. Due to inherent volatility in the markets, it is imperative that traders have a working and reliable internet connection. There are circumstances when the trader’s personal internet connection may not be maintaining a constant connection with the FXCM 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 FXCM Trading Station, causing delays in the transmission of data between the trading station and the FXCM server.

**RESET ORDERS**

Market volatility creates conditions that make it difficult to execute orders at the given price due to an extremely high volume of orders. By the time orders are able to be executed, the bid/ask price may be several pips away.

There may be cases where a Market Range order is not executed due to a lack of liquidity or the inability to act as counterparty to your trade. For Limit Entry or Limit orders, the order would not be executed but instead reset until the order can be filled. Remember both Limit Entry and Limit orders guarantee price but do not guarantee execution. Depending on the underlying trading strategy and the underlying market conditions traders may be more concerned with execution versus the price received.

**WIDENED SPREADS**

OTC Gold/Silver Bullion’s are contracts whose underlying value is derived from the bank spot contract for the product being traded. Differences in settlement are made through cash payments, rather than the delivery of physical goods or securities. Under the dealing desk execution model, FXCM's trading desk makes prices for the OTC Gold/Silver Bullion it makes available to its clients. For products that trade under the NDD model for execution, you are trading on price feeds that are being provided by multiple liquidity providers, plus FXCM's mark-up. Spreads may widen due to news events when there is large amount of volatility in the market. During time periods outside of the market hours for the underlying product being traded spreads maybe wider than what you are accustomed.

**HANGING ORDERS**

During periods of high volume, hanging orders may occur. This is a condition where an order is in the process of executing but execution has not yet been confirmed. The order will be highlighted in red, and the "status" column will indicate "executed" or "processing," in the "orders" window. In these instances, the order is in the process of being executed, but is pending. During periods of heavy trading volume, it is possible that a queue of orders will form. That increase in incoming orders may sometimes create conditions where there is a delay in confirming certain orders.

Depending on the type of order placed, outcomes may vary. In the case of a Market Range order that cannot be filled within the specified range, or if the delay has passed, the order will not be executed. In the case of an At Market order, every attempt will be made to fill the order at the next available price in the market. In both situations, the "status" column in the "orders" window will typically indicate
"executed" or "processing." The trade will simply take a few moments to move to the "open positions" window. Depending upon the order type, the position may in fact have been executed, and the delay is simply due to heavy internet traffic.

Keep in mind that it is only necessary to enter any order once. Multiple entries for the same order may slow or lock your computer or inadvertently open unwanted positions.

If at any time you are unable to access the FXCM Trading Station to manage your account, you may call the Trading Desk directly on +852-3470-9038 or International Toll Free, or visit www.fxcmbullion.com for contact information.

GYED OUT PRICING

Greyed out pricing is a condition that occurs when market is thin for particular instruments and liquidity therefore decreases. FXCM does not intentionally "grey out" prices; however at times, a severe increase in the difference of the spread may occur due to an announcement that has a dramatic effect on the market that limits liquidity. Such greying out of prices or increased spreads may result in liquidation on a traders account. When an order is placed on an instrument affected by greyed out prices, the P/L will temporarily flash to zero until the pair has a tradable price and the system can calculate the P/L balance.

HEDGING

The ability to hedge allows a trader to hold both buy and sell positions in the same instrument simultaneously. Traders have the ability to enter the market without choosing a particular direction. Although hedging may mitigate or limit future losses it does not prevent the account from being subjected to further losses. Altogether, FXCM traders are be required to put up margin for one side (the larger side) of a hedged position. Margin requirements can be monitored at all times in the simple dealing rates window. While the ability to hedge is an appealing feature, traders should be aware of the following factors that may affect hedged positions.

DIMINISHING MARGIN

A liquidation may occur even when an account is fully hedged, since spreads may widen, causing the remaining margin in the account to diminish. Should the remaining margin be insufficient to maintain any open positions, the account may sustain a liquidation, closing out any open positions in the account. Although maintaining a long and short position may give the trader the impression that his exposure to the market's movement is limited, if insufficient available margin exists and spreads widen for any period of time, it may result in liquidation on all positions.

ROLLOVER COSTS

Rollover is the simultaneous closing and opening of a position at a particular point during the day in order to avoid the settlement and delivery of the purchased product. This term also refers to the interest either charged or applied to a trader's account for positions held "overnight," meaning after 5 p.m. ET on FXCM's Platforms. The time at which positions are closed and reopened, and the rollover fee is debited or credited, is commonly referred to as Trade Rollover (TRO). It is important to note that rollover charges will be higher than rollover accruals. When all positions are hedged in an account, although the overall net position may be flat, the account can still sustain losses due to the spread that occurs at the time rollover occurs. Spreads during rollover may be wider when compared to other time periods.
EXCHANGE RATE FLUCTUATIONS (PIP COSTS)

Exchange rate fluctuations, or pip costs, are defined as the value given to a pip movement for a particular instrument. This cost is the currency amount that will be gained or lost with each pip movement of the instrument's rate and will be denominated in the currency denomination of the account in which the pair is being traded. On the FXCM Platforms, the pip cost can be found by selecting "View," followed by "Dealing Views," and then by clicking "Simple Rates" to apply the checkmark next to it. If "Simple Rates" already has a check mark next to it, viewing the dealing rates in the simple view is as easy as clicking the "Simple Dealing Rates" tab in the dealing rates window. Once visible, the simple rates view will display the pip cost on the right-hand side of the window.

INVERTED SPREADS

FXCM's Trading Desk may rely on various third party sources for the prices that it makes available to clients. In the event that a manifest (misquoted) price is provided to us from a source that we generally rely, all trades executed on that manifest (misquoted) price may be revoked, as the manifest (misquoted) price is not representative of genuine market activity. These manifest (misquoted) prices can lead to an inversion in the spread.

HOLIDAY/WEEKEND EXECUTION

TRADING DESK HOURS

The hours for OTC Gold/Silver Bullion are determined by FXCM's Trading Desk.

Please refer to the [OTC Gold/Silver Bullion Product Guide](#) for specific hours for each product

FXCM aims to open and close markets as close to the posted trading hours as possible, however the lack of liquidity at or around market open and close for any OTC Gold/Silver Bullion instrument can impede execution and price delivery. FXCM may delay market open or bring forward market close on specific instruments in an effort to protect clients from quoted prices or executions that are not representative of the true market price.

Traders are advised to use extreme caution around market open and close and to utilize FXCM's basic and advanced orders types to mitigate execution risk. Based on the illiquidity illustrated during these time periods traders using market orders can experience slippage, or gaping in prices that can have a material impact on your final execution price.

PRICES UPDATING BEFORE THE OPEN

Shortly prior to the open, FXCM refreshes rates to reflect current market pricing in preparation for the open. At this time, trades and orders held over the weekend are subject to execution. Quotes during this time are not executable for new market orders. After the open, traders may place new trades, and cancel or modify existing orders.

GAPPING

There is a substantial risk that stop-loss orders, left to protect open positions held overnight, may be executed at levels significantly worse than their specified price.

Commensurate with the opening/closing of the market for the underlying instrument, OTC Gold/Silver Bullion traders may experience gaps in market prices. Due to the volatility expressed during these time periods, trading at the open or
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at the close, can involve additional risk and must be factored into any trading decision. These time periods are specifically mentioned because they are associated with the lowest levels of market liquidity and can be followed by significant movements in prices for OTC Gold/Silver Bullion instrument.

ORDER EXECUTION

Limit orders are often filled at the requested price or better. If the price requested is not available in the market, the order will not be filled. If the requested price of a Stop order is reached at the open of the market on Sunday, the order will become a Market order. Limit Entry orders are filled the same way as Limit orders. Stop Entry orders are filled the same way as Stops.

WEEKEND RISK

Traders who fear that the markets may be extremely volatile over the weekend, that gapping may occur, or that the potential for weekend risk is not appropriate for their trading style, may simply close out orders and positions ahead of the weekend. It is imperative that traders who hold open positions over the weekend understand that the potential exists for major economic events and news announcements to affect the value of your underlying positions. Given the volatility expressed in the markets it is not uncommon for prices to be a number of pips away on market open from market close. We encourage all traders to take this into consideration before making a trading decision.

LIQUIDATIONS AND CLOSE OUTS

Liquidations will be triggered when your usable margin reaches zero or below. This occurs when your floating losses reduce your account equity to a level that is less than or equal to your margin requirement.

FXCM process all liquidations for OTC Gold/Silver Bullion automatically. Open and close times for the underlying reference market are determined by the exchange, or third party execution venue, and not by FXCM. If the client's liquidation event is triggered during the period when the underlying reference market is closed, it may be necessary for the FXCM to wait until the underlying reference market re-opens before liquidation of the OTC Gold/Silver Bullion positions can be finalized. Depending on market conditions, this could mean that the final price the client receives is a significant number of points away from the price that triggered the client's liquidation.

TRADING STATION

If account equity falls below margin requirements, the FXCM Trading Station 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 all open positions will be closed out (liquidated). Please keep in mind that when the account's useable margin reaches zero, all open positions are triggered to close. The liquidation process is designed to be entirely electronic.

METATRADER 4

Please note that MT4 users are subject to different margin call procedures. When a margin call is triggered on the account individual positions will be liquidated until the remaining equity is sufficient to support existing position(s). In deciding what positions will be individually liquidated the largest losing position will be closed first during liquidation.
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The MT4 platform does not allow FXCM to include commissions in pre-trade margin calculations on client's pending orders. This means that if you place a trade with a small amount of available usable margin under the MT4 account, there is a risk that the execution of the orders could trigger immediate margin call right after the execution as the commission charges can result in insufficient margin to maintain your open positions. You should therefore ensure that you have reserved sufficient buffer usable margin before opening new trades.

CHART PRICING VS. EXECUTABLE PRICING

It is important to make a distinction between indicative prices (displayed on charts) and executable prices. Indicative Quotes are those that Offer an indication of the prices in the market, and the rate at which they are changing.

FXCM's price feed is derived from a host of contributors such as banks and clearing firms which results in multiple levels of pricing and liquidity, therefore the charts (which can only reflect one level of pricing) may not reflect where all of FXCM's liquidity providers are making prices at any given time. In the event that a quote is withdrawn or liquidity is depleted at the indicative rate displayed on the chart, it is possible that executions may occur at an executable price that is different from the indicative price that appears on the chart.

Because OTC Gold/Silver Bullion market lack a single central exchange where all transactions are conducted, each dealer may quote different prices. Therefore, any prices displayed by a third party charting provider, which does not employ FXCM's feed, will reflect only indicative market prices and not actual dealing prices where trades will be executed by FXCM.

FXCM Bullion Limited is an operating subsidiary within the FXCM group of companies.