

CoinDCX

DCX Margin

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A. Overview

1. **Margin Trading Glossary:** This section aims to provide a glossary to explain all the commonly used terms in margin trading.
2. **Balances: Total Balance:** CoinDCX uses a common wallet system for spot and margin trading. Total assets value is the total sum of tokens in your CoinDCX wallet Account for Spot, including available balance and balance on hold (locked balance). **Available Balance:** The total amount of tokens that are currently available for trading either in Spot Trading and Margin Trading. This balance can be used in deposits/withdrawals of funds without any restriction.
3. **Locked Balance:** The amount of tokens which is unavailable for creating orders, usually refers to the tokens that are currently in use for open orders.
4. **Leverage: Borrowing limit:** It is the maximum quantity of tokens available to borrow from the corresponding token pairs. The leverage available is common to all the platform users and CoinDCX would determine the maximum leverage (range may vary from 1x to 5x) based on volatility, availability of funds and liquidity in the selected token pairs.
5. **Stop loss and forced liquidation:** Every margin order has its own liquidation price which depends on the leverage used for the respective order. The maximum loss that a user can incur is the balance locked for a margin order. If a situation for liquidation arises, CoinDCX will place a market sell order immediately. CoinDCX will apply the following rules for liquidation of a margin order -
6. **Long:**
 - a. Ideal liquidation price = $(\text{Entry Price} - \text{Entry Price}/\text{Leverage})$
 - b. A safety factor of 7.5% (wrt entry price) has been applied to take market slippage and order placement latency into account. This will prevent bankruptcy of the user's account.
 - c. So, Actual Liquidation Price = $\text{Ideal Liquidation Price} + (0.075 * \text{Entry Price})$, which is rounded up according to currency's price precision.
7. **Short:**
 - a. Ideal liquidation price = $(\text{Entry Price} + \text{Entry Price}/\text{Leverage})$
 - b. A safety factor of 7.5% (wrt entry price) has been applied to take market slippage and order placement latency into account. This will prevent bankruptcy of the user's account.
 - c. So, Actual Liquidation Price = $\text{Ideal Liquidation Price} - (0.075 * \text{Entry Price})$, which is rounded down according to currency's price precision.
8. **Multiple target orders :** Previously, a single order contained a single entry and a single target (exit) order, meaning that suppose you have 100 XRP long, then you can just specify a single target price where those 100 XRP would be sold at. But now, Margin trading supports multiple target orders, meaning that you can decide to sell those 100 XRP at different price points in parts. For example,

you may sell 40 XRP at 8000 sats and remaining 60 XRP at 7000 sats. So you have finer control over your target orders and you may utilize multiple price points to close your position in parts, with individual control (for editing or cancelling each [part] target order).

B. Margin Trading

1. Definition of Margin Trading:: Margin Trading is a strategy that allows you to trade more tokens than you would be able to do normally and can yield a huge profit if executed correctly.
2. It's like a loan from your broker or exchange. For ex: with 0.10 BTC balance in your account, you can take a position of 0.30 BTC (with 3x leverage).
3. Margin Position Types: Long Position: In this position, funds are bought by the trader and then sold at the Target Price. Traders open a long position in the hope that the price will go up in the future.
4. Eg. If a trader, trading in the XRP/BTC pair, longs 1000 XRP at 2x leverage. If the BTC equivalent of 1000 XRP is 0.09 BTC (considering XRP/BTC is at 0.00009000), then the exchange collects a collateral of 0.045 BTC only. Thus allowing 2x leverage.
5. In this long position, exchange forwarded 0.045 BTC to the trader for buying 500 XRP, in addition to the 0.045 BTC held by the trader.
6. Short Position: In this position, funds (that the trader doesn't own) are sold first and then bought at a later time. So when you open a short position, the exchange sells the crypto on your behalf and you owe the quantity of crypto involved in the trade, to the exchange. At a later point, you return this obligation by buying the coin at a lower price.
7. Traders open a short position in the hope that the price will go down in the future. Eg. If a trader, trading in the XRP/BTC pair, shorts 1000 XRP at 4x leverage. If the BTC equivalent of 1000 XRP is 0.09 BTC (considering XRP/BTC is at 0.00009000), then the exchange lends the trader 1000 XRP against a collateral of 0.0225 BTC.
8. The trader owes the 1000 XRP to the exchange and can return this obligation at a later time, by buying it at a lower price.
9. Available Order Types: Limit Margin Order: This is a limit order with leverage. Elements of this order like Stop Loss Price, Target Price are the same as Market Order. Leverage can be selected by toggling between 1x to 4x.
10. Market Margin Order: This is a market order with leverage. Elements of this order are - leverage, Target Price and Stop Price.

11. Other Terminologies in Margin Trading: Price: This is the price at which the trader seeks to gain entry/ open position in the trade.
12. Eg. If a trader plans to long 0.2 BTC (BTC/USDT pair), then the trader first buys 0.2 BTC. The price at which the trader bought 0.2 BTC, is the open price/ price.
13. Target Price: The price at which the trader plans to buy/sell or close the order position is called the Target Price. When the Target price is hit, the trade is closed and the trader's funds are settled according to the P&L incurred. Target price feature is available if the trader checks the Bracket order checkbox.
14. SL Price: The price at which the trader wishes to Stop Loss is the SL Price.
15. Position Quantity: A position is the quantity of crypto involved in trade. There are two types of positions: Long and Short. Depending on market trends, movements and fluctuations, a position can be profitable or unprofitable.
16. P&L: The Profit or Loss is the indicative Profit or Loss in an open position. Note that, until the position is closed, the Profit or Loss is not actually realized or added/deducted from the trader's balance.
17. Initial Margin: Initial margin is the initial price that the investor must pay for with his own collateral. Initial margin depends on the leverage taken.
18. Margin Taken: Margin Taken is the fund lent by the exchange to the trader in exchange of the collateral.
19. How to open a Margin Position:
20. How to open a long position:
 - a. Go to the Trading page > Select Margin > Select the desired pair.
 - b. Set up a Margin Buy order (specify the quantity, leverage, price).
 - c. (optional) If you select a BO (Bracket Order) fill in other details like Target Price and SL (Stop Loss Price).
 - d. Place your order by clicking on Long.
21. When you want to close the position, hover over your trade, you'll see the option to Exit position, edit or cancel. On selecting exit, your exit will be confirmed at the current market price. Alternately, when your Stop Loss price hits, your position will be closed. The borrowed funds will be repaid and the profit/ loss will be adjusted and settled in your account.
22. Few Examples:
 - a. Long with 4x leverage
 - b. If a trader, trading in the XRP/BTC pair, longs 1000 XRP at 4x leverage. If the BTC equivalent of 1000

XRP is 0.09 BTC (considering XRP/BTC is at a price of 0.00009000), then the exchange collects a collateral of 0.0225 BTC only. Thus allowing 4x leverage.

- c. In this long position, exchange forwarded 0.0675 BTC to the trader for buying 1000 XRP, in addition to the 0.0225 BTC held by the trader.
- d. Short with 3x leverage
- e. If a trader, trading in the XRP/BTC pair, shorts 1000 XRP at 3x leverage. If the BTC equivalent of 1000 XRP is 0.09 BTC (considering XRP/BTC is at 0.00009000), then the exchange lends the trader 1000 XRP against a collateral of 0.03 BTC.
- f. The trader owes the funds to the exchange and can return this obligation at a later time, by buying it at a lower price.

23. How to close a Margin Position

- a. How to add a [partial] exit order for an open position:
- b. For a given position, click on 'Add Targets'.
- c. If this is your first target order for this position, it would directly open a form where you can add a target order of market or limit type for closing position.
- d. If this position already has some target orders, it would be listed there, which can be cancelled or edited (depending on the order type and order status).
- e. Specify a quantity and price (not needed for market order type) and click submit to place the request.
- f. After the request goes through successfully, the list should refresh showing your updated target orders.
- g. Example:
- h. Long with 4x leverage: If a trader, trading in the XRP/BTC pair, longs 1000 XRP at 4x leverage with an entry price of 0.00008000. The user may also specify 2 target orders of this position: 500 XRP at 0.00008100 and another 500 XRP at 0.00008200.
- i. Short with 2x leverage: If a trader, trading in the XRP/BTC pair, shorts 1000 XRP at 4x leverage with an entry price of 0.00008000. The user may also specify 3 target orders of this position: 300 XRP at 0.00007800 and other 300 XRP at 0.00007600, and the remaining 400 XRP at 0.00007500
- j. Note: The final settlement normally happens instantly, but can take up to 24 hours in some rare scenarios.

24. Changing margin (or changing leverage):

- a. For a given open order, you can add or remove margin to decrease or increase its effective leverage, respectively. This could be used to prevent your order from hitting the Stop Loss due to sudden volatility in the market. This could be useful where an order comes very close to liquidation, but the trader is confident of the bounce-back of the market price and wants to avoid liquidation by adding more margin (thus increasing the hard liquidation price limit). It could also be used when he sees a better opportunity and wants to place a new order but doesn't have the funds to do so, thus reducing the margin allocated to another open order (which leads to freeing up some funds in his wallet).

25. How to add margin (or reduce leverage):

- a. For a given open order, click on 'Add Margin'.
- b. Enter the additional amount that you wish to add as margin to that particular order.
- c. You may check the new [estimated] hard liquidation price as well as the new [estimated] leverage after entering the amount (but before submitting).
- d. Make sure that the amount you're trying to add is available in your wallet.
- e. Submit to place the add margin request.
- f. After the request goes through successfully, the specified amount should be deducted from your wallet, while the hard liquidation price and leverage of your order should have been changed.

26. How to remove margin (or increase leverage):

- a. For a given open order, click on 'Remove Margin'.
- b. Enter the amount that you wish to remove from the order's initial margin.
- c. You may check the new [estimated] hard liquidation price as well as the new [estimated] leverage after entering the amount.
- d. Make sure that the new hard liquidation price is not very close to the current market price (to avoid instant liquidation).
- e. Submit to place the remove margin request.
- f. After the request goes through successfully, the specified amount should appear as an available balance in your wallet, while the hard liquidation price and leverage of your order should have been changed.

27. Important Points to keep in mind when changing margin:

- a. Always check the updated StopLoss price and updated leverage after the request goes through as the values show before placing the request are just an estimation.
- b. If the StopLoss price of the order was never set manually (or it is equal to the hard liquidation price), then it will also be changed to be equal to the updated hard liquidation price.
- c. If the StopLoss price of the order lies beyond the hard liquidation price after changing the margin, then it will also be changed to be equal to the updated hard liquidation price.
- d. The change margin request won't go through if it results in effective leverage beyond the extremes for a given market. Thus, it cannot be less than 1x or greater than Zx (where Z depends on the market, typical example being 4x or 5x).

28. Example of changing margin:

- a. Suppose a trader, trading in the XRP/BTC pair, longs 700 XRP at 4x leverage with an entry price of 0.00003500 and an SL price of 0.00003000. His hard liquidation price comes to, say 0.00002800, while his [initial] margin locked is 0.0058 BTC. Now, due to a sudden fall in the market, the market price comes to about 0.00003100. He changes the SL price from 0.00003000 to 0.00002850. Now, if the market price continues to fall, but the trader is confident that it will rise back again, he may decide to add some more margin to push his hard liquidation price even further. Say he adds another margin of 0.001 BTC, which pushes the hard liquidation price to about 0.00002500. Note that his actual SL price still remains 0.00002850, even after adding the margin. Only the hard

liquidation price has changed. So now he should edit his SL price to up to 0.00002500 manually, which he couldn't have done before adding the margin (due to old hard liquidation price being 0.00002800).

C. Trade Charges, P&L Calculation Schema

1. Fees for Trading

- a. Total fee = Entry fee + Exit Fee
- b. Entry fee = $(\text{Quantity} * \text{Avg entry price}) * (\text{fee percent}) / 100$
- c. Exit fee = $(\text{Quantity} * \text{Avg exit price}) * (\text{fee percent}) / 100$

2. Interest Calculation

- a. CoinDCX automatically gives you the additional margin and charges interest @0.05% per day (~0.002% per hour). Additional margin is the amount a trader has borrowed from the exchange to fulfill a particular order. When the position is open for more than 1 Hour, the interest expense is calculated based on the following formula:
- b. Interest Charged = $(\text{Interest rate Per Hour} * \text{hours} * \text{additional margin}) / 100$ where Additional margin = $(\text{Order Value} - \text{Locked Balance for the order})$.
- c. In case of a bracket order and if your order is partially settled, you will be only charged for the margin which is remaining on your open order, only for the duration the order is open on DCXmargin. In case you add more margin in an open position, the interest rate will only be charged on the updated (lesser) borrowed amount.

3. P&L Calculation

- a. Long :-
- b. Gross P&L = $\text{Quantity} * (\text{Avg Exit price} - \text{Avg Entry price})$
- c. Profit = $\text{Gross P\&L} - \text{Total fee} - \text{Interest charged}$
- d. Short :-
- e. Gross P&L = $\text{Quantity} * (\text{Avg Entry price} - \text{Avg Exit price})$
- f. Profit = $\text{Gross P\&L} - \text{Total fee} - \text{Interest charged}$
- g. Please note that we show Gross P&L and Net P&L on the website
- h. Margin Trading Rules

D. General Rules

1. These rules are formulated under a lawful, fair and transparent way to maintain reasonable control of the lending or borrowing of the digital asset and margin trading, preserve an orderly market, and protect the legal rights of all investors.
2. The loan and margin trading stated in this document is the investment behavior in which an investor provides collateral to CoinDCX (“We”, “Us”, “Our platform”, “Our”) to borrow assets for trading.
3. All loan and margin trading on <https://coindcx.com> shall comply with the rules stated in this document. Other activities not stated in this document shall comply with “CoinDCX Terms of Service” and other rules set on the website <https://coindcx.com>.
4. We provide information release, management and risk control services for token lending. However, there have been no promises, guarantees or warranties suggesting that any trading will result in a profit or will not result in a loss. Investors shall carefully consider whether such an investment is suitable in light of their own financial position and investment objectives, and invest responsibly at their sole discretion.
5. Additional Terms
 - a. Investors shall comply with local regulations and law as well as the related rules of trading and margin trading of <https://coindcx.com>. We reserve the right to suspend or cancel any user’s access to margin trading, take over the account, force-liquidate all positions or any related risk control measure when deemed necessary to maintain an orderly market.
 - b. The terms not less than, within, not more than are all inclusive terms and the terms less than, beyond and over/below are exclusive terms.
 - c. The terms are established by our company. This document or any further amendments are in effect immediately after being made known through our blog/FAQ/Official communication channels/Website.
 - d. We reserve the right of interpretation of this document.
 - e. The terms are implemented from January 16, 2019.
 - f. Positions open beyond 30 days are liable to be automatically closed by the system. You can take the position again.
6. Margin Trading Mechanism
 - a. Entry Order:
 - b. Entry order is placed as soon as the user creates an order.
 - c. Entry order is filled according to market conditions, based on order-type the user specified while placing the order (Market, Limit or StopLimit order).
 - d. Entry order is placed as a Buy order in case of Long margin order and as a Sell order in case of Short margin order.

- e. Target Order:
- f. Target order is placed only after the entire entry order completes.
- g. Target order can be placed as a market order or as a limit order, as specified in the multiple target orders.
- h. If no individual target order is specified, and a target price is present for the position, then at the time the position opens (entry is completed), a target order is placed as a limit order at specified target price for the entire open quantity.
- i. Target order is always placed as an order on the opposite side (i.e. Sell order in case of Long margin order, Buy order in case of Short margin Order).
- j. Target order is not placed for partial (or zero) filled entry orders, to avoid fragmentation of orders based on each trade for entry order.
- k. In case of multiple target orders for a given position, the quantity of each of those orders should satisfy the basic validations of a normal order, such as min quantity and max quantity as specified in the currency pair.
- l. StopLoss (SL) Order:
- m. SL order is placed only when the last trading price or a market crosses the specified SL price of the margin order.
- n. SL order is always placed as a Market order, hence in most cases, it leads to some slippage. So, if XX is the specified SL price for a margin order, it does not guarantee that the exit will happen exactly at that price XX.
- o. SL order is always placed as an order on the opposite side (i.e. Sell order in case of Long margin order, Buy order in case of Short margin Order).
- p. SL order is not placed for partial (or zero) filled entry orders, to avoid fragmentation of orders based on each trade for entry order.
- q. Exit Order:
- r. Exit order is placed only when the user clicks on the 'Exit' button for a margin order.
- s. Exit order is always (and immediately) placed as a Market order, hence in most cases, it leads to some slippage.
- t. Exit order is always placed as an order on the opposite side (i.e. Sell order in case of Long margin order, Buy order in case of Short margin Order).
- u. Exit order is not valid for partial (or zero) filled entry orders, to avoid fragmentation of orders based on each trade for entry order. To exit the position in such cases, use the 'Cancel' option for the margin order.