

TRADING HANDBOOK FOR FOREX TRADERS



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WELCOME TO QUESTRADE

This trading handbook has been designed to provide you with a quick reference to Questrade foreign exchange. You'll find information about trading hours, currency pair calculation formulas, how to execute orders, common trading definitions, and QuestradeFX platform features. If you require further assistance, please do not hesitate to contact us.

Online trading

Trading on the QuestradeFX platform is available 24 hours a day from 5 p.m. EST Sunday to 5 p.m. EST Friday. You can execute trades directly from real time streaming bid/ask quotes. Live prices are continuously published on the QuestradeFX platform, and you can click on the current bid or offer at any time to instantaneously execute a trade. Prices are updated automatically as market conditions dictate. On average, the QuestradeFX platform streams over 100,000 prices per day.

Phone trading

Forex account holders may place orders over the telephone, Monday to Thursday from 8 a.m. to 11:55 p.m. EST, Friday from 8 a.m. to 5 p.m. EST, Sunday from 5 p.m. to 11:55 p.m. EST. Forex phone trades are free. **Call toll-free 1.888.783.7866 ext. 3.** During phone trading, Questrade trading staff will quote the same tight spreads available through the QuestradeFX platform. All trades executed on the phone are subject to a pre-trade margin availability check and will be manually entered into the customer's account for integrated P&L analysis and reporting.

Phone trading etiquette

- 1) To begin, state your name and your QX or QB account number. The Questrade trader will ask you two security questions to verify your identity.
- 2) Clearly communicate your order. State the order type, whether it is a buy or a sell, the order size in the amount of base currency, and the expiry. See below for examples.
 - *"I would like to buy 400,000 GBP/USD at market"*
 - *"I would like to place a limit order to sell 200,000 USD/CAD @ 1.0325 GTC"*
 - *"I would like to place a stop order to buy 50,000 USD/CHF @ 1.0668 DAY"*
 - *"I would like to place an OCO order for EUR/USD. Place a limit order to sell 20,000 EUR/USD at 1.5362 and a stop order to sell 20,000 EUR/USD at 1.4982. Please make it a GTC order"*
 - *"I would like to place an if/then order for EUR/CHF. Place a limit order to buy 10,000 EUR/CHF at 1.6100. If it fills, place a sell limit at 1.6300 GTC"*
 - *I would like to place an if/then OCO order for EUR/JPY. Place a stop order to buy 30,000 EUR/JPY at 169.25. If it fills, place a limit order to sell 30,000 EUR/JPY at 169.55 and a stop order to sell 30,000 EUR/JPY at 168.77. Please make it a DAY order"*

- 3) The Questrade trader will provide a quotation of the market and will confirm your request before entering it into the system.

Remember: when placing market orders, the price given is the market price at that time. Hagglng is not allowed nor are trading staff allowed to remain on the phone until the price changes. If you do not wish to trade at the quoted levels, simply say “Nothing done”, and call again later.

Also, remember that the phone trading line is reserved for trades and order purposes only. All other inquiries regarding your account can be addressed by calling a Questrade Forex representative toll-free at 1.888.783.7866 or sending an email to **support@Questrade.com**.

Technical issues etiquette

If you cannot login to the platform or you experience a technical issue with an order (i.e. delayed or no response) or the platform does not respond, please call our forex trade desk immediately at 1-888-783-7866 ext. 5357.

Important: you are liable for every click (instruction) you send if it is received by the trade server. Therefore, do not jam the buy or sell keys if you are having technical issues. If the platform responds strangely to instructions to reduce exposure (i.e. closing positions, cancelling orders), it is possible that your instructions may not be successfully received.

If you are experiencing technical difficulties, the most responsible course of action is to immediately call our forex trade desk for assistance.

Online trading risk disclaimer:

There are risks associated with using an Internet-based trading system. These include the failure of hardware, software and Internet connection. Questrade does not control signal power, reception or routing on the Internet, configuration of your equipment or reliability of its connection. We cannot, therefore, be responsible for communication failures, distortions or delays when trading via the Internet. Questrade Inc. employs back-up systems and contingency plans to minimize the possibility of system failure.

Calculating pip values

The pip value will always be \$10 USD for currency pairs where the USD is the counter (2nd quoted) currency. However, the pip values will fluctuate for all other currency pairs. This is because profits and losses are always made in the counter currency and must be translated back to the account base currency. All Questrade forex accounts are based in USD. See below for the pip formulas for each currency pair:

| Pair | Formula |
|---------|--|
| AUD/CAD | [(Notional trade value) x 0.0001] / current USD/CAD rate |
| AUD/CHF | [(Notional trade value) x 0.0001] / current USD/CHF rate |
| AUD/JPY | [(Notional trade value) x 0.01] / current USD/JPY rate |
| AUD/NZD | [(Notional trade value) x 0.0001] x current NZD/USD rate |
| AUD/USD | (Notional trade value) x 0.0001 |

| | |
|---------|--|
| CAD/CHF | [(Notional trade value) x 0.0001] / current USD/CHF rate |
| CAD/JPY | [(Notional trade value) x 0.01] / current USD/JPY rate |
| CHF/JPY | [(Notional trade value) x 0.01] / current USD/JPY rate |
| EUR/AUD | [(Notional trade value) x 0.0001] x current AUD/USD rate |
| EUR/CAD | [(Notional trade value) x 0.0001] / current USD/CAD rate |
| EUR/CHF | [(Notional trade value) x 0.0001] / current USD/CHF rate |
| EUR/DKK | [(Notional trade value) x 0.0001] / current USD/DKK rate |
| EUR/GBP | [(Notional trade value) x 0.0001] x current GBP/USD rate |
| EUR/JPY | [(Notional trade value) x 0.01] / current USD/JPY rate |
| EUR/NOK | [(Notional trade value) x 0.0001] / current USD/NOK rate |
| EUR/NZD | [(Notional trade value) x 0.0001] x current NZD/USD rate |
| EUR/SEK | [(Notional trade value) x 0.0001] / current USD/SEK rate |
| EUR/USD | (Notional trade value) x 0.0001 |
| GBP/AUD | [(Notional trade value) x 0.0001] x current AUD/USD rate |
| GBP/CAD | [(Notional trade value) x 0.0001] / current USD/CAD rate |
| GBP/CHF | [(Notional trade value) x 0.0001] / current USD/CHF rate |
| GBP/JPY | [(Notional trade value) x 0.01] / current USD/JPY rate |
| GBP/NZD | [(Notional trade value) x 0.0001] x current NZD/USD rate |
| GBP/USD | (Notional trade value) x 0.0001 |
| NZD/CAD | [(Notional trade value) x 0.0001] / current USD/CAD rate |
| NZD/CHF | [(Notional trade value) x 0.0001] / current USD/CHF rate |
| NZD/JPY | [(Notional trade value) x 0.01] / current USD/JPY rate |
| NZD/USD | (Notional trade value) x 0.0001 |
| SGD/JPY | [(Notional trade value) x 0.01] / current USD/JPY rate |
| USD/CAD | [(Notional trade value) x 0.0001] / current USD/CAD rate |
| USD/CHF | [(Notional trade value) x 0.0001] / current USD/CHF rate |
| USD/DKK | [(Notional trade value) x 0.0001] / current USD/DKK rate |
| USD/HKD | [(Notional trade value) x 0.0001] / current USD/HKD rate |
| USD/JPY | [(Notional trade value) x 0.01] / current USD/JPY rate |
| USD/NOK | [(Notional trade value) x 0.0001] / current USD/NOK rate |
| USD/SEK | [(Notional trade value) x 0.0001] / current USD/SEK rate |
| USD/SGD | [(Notional trade value) x 0.0001] / current USD/SGD rate |

*Notional trade value = amount of base currency being traded

Calculating the U.S. dollar cost of the spread

To calculate the U.S. dollar cost of a particular forex trade, take the pip value for the currency pair and multiply it by the number of pips in the current spread.

Trading sizes

The QuestradeFX minimum transaction size is one lot. One lot represents 10,000 units of base currency. The maximum trade size available online is 25 lots (250,000 of base currency).

Trades with notional values over 2.5 million and up to 100 million may be executed with a licensed Questrade trader over the phone.

Confirmations

Trades are confirmed on screen, typically within one second. Full transaction details can be viewed on screen including date, time, rate, notional amount bought and sold, USD value, and reference number.

ORDER EXECUTION

First in first out (FIFO)

Open positions are closed according to the FIFO accounting rule. All positions opened within a particular currency pair are liquidated in the order in which they were originally opened.

Stop or stop loss orders

As a rule, all stop orders convert to market orders when the price level is triggered. Sell stops are triggered when the market is bid at the order price, and buy stops are triggered when the market is offered at the order price. For example, if a stop order is placed to sell USD/CHF at 1.0788, the order will be triggered when the bid reaches 1.0788. If the market gaps over the order rate, the stop order will be filled at the best available market price.

Limit orders

As a rule, all limit orders convert to market orders when the price level is triggered. Sell limits are triggered when the market is bid at the order price, and buy limits are triggered when the market is offered at the order price. For example, a limit order to buy EUR/USD at 1.5286 will be triggered when the offer reaches 1.5286.

Good til cancelled (GTC) orders

All GTC orders remain open until they are triggered or cancelled. If you close out a position manually, you must cancel any order(s) relating to that position.

Orders left over the weekend or holidays

Orders left pending at close of trading on Friday at 5 p.m. EST or placed over the weekend are subject to a gap open on Sunday evening at 5 p.m. EST when trading resumes. For both stop loss and limit orders, if your order is triggered due to news, events, or other fundamental factors, it will not be executed over the weekend. Your order *will* be executed at the best available market price when trading reopens on Sunday. Because of the additional gap risk involved, you may reconsider leaving open orders over weekends or holidays.

Orders placed during fast markets

At times, the forex market can exhibit extreme volatility, a condition known as a *fast market*. Such conditions can be caused by economic news releases, central bank interest rate announcements, and order imbalances. During fast markets, the banks, including those connected to Questrade, reduce the liquidity (trading amounts) available for trading to most market participants. Spreads typically widen and the market may gap sharply, higher or lower. If you decide to trade during fast markets, you must accept all risks involved, including but not limited to the following:

- Online trading may be suspended for two minutes prior to an economic news announcement.

- Stop and limit orders are not guaranteed to be filled at the requested price. They will be filled at the best available market price.
- Market orders placed over the phone with a Questrade trader are subject to slow execution (trade desk phone lines may be busy).
- Market orders placed online may be subject to a *deal not accepted: rate has moved* message. In this case you may attempt to trade at the next available rate.
- Accounts may be flagged for liquidation if a price spike or plummet brings your account balance briefly below the maintenance margin level.

Questrade will not be held liable for client losses arising from trading during fast markets.

ORDER TYPES

The QuestradeFX platform provides sophisticated order entry and tracking. Orders may be entered at any rate (inside or outside the existing spread) using the following order types:

Limit orders

A single order where the price specified must be lower (higher) than currently quoted when buying (selling). Limit orders are used to enter the market on price retracements and to take profits.

Stop or stop loss orders

A single order where the price specified must be higher (lower) than the amount currently quoted when buying (selling). Stop orders are typically used to minimize losses but they may also be used to enter the market on price break-outs or break-downs.

One cancels other orders (OCOs)

A contingent order in which if one part of the order is executed the other part is cancelled. This is a particularly useful order type as it allows you to execute specific trading strategies based on technical analysis without having to watch the market tick by tick.

For example, if you are long USD/CHF at 1.0425, a typical OCO order would be a sell stop (loss) at 1.0375 and a sell limit (take profit) at 1.0618. If one part of the order is filled, the other is automatically cancelled.

If/then single

A conditional order in which if the first order (*if* order) is executed, the second order (*then* order) is activated as a live, single order.

In cases where the *if* order does not execute, the *then* single order will remain dormant. When either part of an if/then order is cancelled, all parts of the order are cancelled as well.

An example of an if/then single order would be to first place an *if* limit order to buy EUR/USD at 1.5486, fifty points below the current market rate of 1.5536. The *then* part of the order would be a limit sell order to take profit at 1.5566 (eighty pips above the *if* order execution rate of 1.5486). If the market dips to 1.5486, the *if* order will execute and the *then* leg of the order will become active. Note: the *then* order could also have been a stop loss order at 1.5446 (forty pips below the execution rate of 1.5486).

If/then OCO

A conditional order in which if the first order (*if* order) is executed, the second order (*then* order) is activated as a live (no longer dormant) one cancels other (OCO) order. The OCO portion of the if/then OCO order remains dormant until the first order is executed. The execution of either of the two *then* orders automatically cancels the other.

In cases where the *if* single order does not execute, the *then* OCO order will remain dormant. When any part of an if/then OCO order is cancelled, including either leg of the OCO order, all parts of the order are cancelled as well.

An example of an if/then OCO order would be to first place an *if* limit order to buy USD/JPY at 108.80, fifty points below the current market rate of 109.30. The *then* part of the order would be an OCO order: one leg of the OCO could be a limit sell order to take profit at 109.60 (eighty pips above the execution rate of 108.80), and the other leg a stop loss order to sell at 108.50 (thirty points below the execution rate). If the market reaches 108.80, the *if* single order is executed, and the *then* OCO order is activated. If activated, the execution of either leg of the *then* OCO order automatically cancels the other.

Trailing stop

A single stop loss order that automatically *trails* the price of the currency. This offers the potential for greater gains while guarding against price declines.

If the live rate is 1.5297 and the trailing points are set to 30, the sell stop order will be triggered if the EUR/USD bid reaches 1.5267 (live rate minus 30 pips). If the EUR/USD moves in your favor, e.g. to 1.5335, the stop order will automatically adjust to 1.5305, always 30 pips from the live rate. The trailing points field can be set to a minimum of 10 pips.

All of the above orders may be entered as day orders (EOD), entered today and good until the end of North American trading (5 p.m. EST). Clients can also select a good til cancelled order (GTC), which is valid until the order is executed or cancelled. Orders remain open until they are triggered or cancelled. If you close out a position manually, you must cancel any order(s) relating to that position.

Rollovers

A rollover is the simultaneous closing of an open position for today's value date and the opening of the same position for the next day's value date. The purpose of a rollover is to prevent delivery of the notional amounts of foreign currency that you are trading. Questrade automatically rolls forward all open positions to the next day's value date following the close of North American trading at 5 p.m. EST. Online trading *may* be unavailable for five minutes starting at 5 p.m. but phone orders will be accepted.

You have the opportunity to earn interest on rollovers, depending on the direction of your position and the interest rate differential between the two currencies involved (minus a fixed rollover fee). For example, UK short term interest rates are significantly higher than Japan rates, so if you are long GBP/JPY (i.e. holding British Pounds), you will earn interest on the roll. Conversely, if you are short GBP/JPY (i.e. holding Yen) you will pay interest on the rollover. In cases where the interest rate differential between the two currencies is small, you may pay interest regardless of whether they are long or short the currency pair, because of the fixed rollover fee.

The spot forex market is traded on a two-day value or settlement date. For example, for trades executed on Monday, the value date is Wednesday. However, if a position is opened on Monday and held overnight (remains open after 5 p.m. EST), it is rolled over and the value date is now Thursday. The exception is a position opened and held overnight on Wednesday. The normal value date would be Saturday, but because banks are closed on Saturday the value date is actually the following Monday. Due to the weekend, positions held overnight on Wednesday incur or earn an extra two days of interest. Trades with a value date that falls on a holiday will also incur or earn additional interest.

Rollover credits or debits are reflected in the unrealized profit and loss of the open position, and are therefore realized when the position is closed. Rollover trade details can be obtained from the rollover history report available in the **Reports** tab of the trading platform. The QuestradeFX platform does not provide rollover rates for the current business day, however the rollover rates from the previous business day can be obtained by contacting a Questrade forex representative by phone or email. Rollover rates are not firm and are subject to change from day to day. **Questrade is not liable if you were unaware that your position required the payment of interest. It is your responsibility to check rollover rates with Questrade.**

REPORTING

The QuestradeFX platform tracks all trading activity in real time, allowing you to view current open positions, real-time profit and loss, margin availability, account balances, and all historical transaction details directly on-screen.

In addition, by clicking on the **Reports** tab on the menu bar, you can access six ad hoc reports:

Account value summary: An online monthly account statement. View current account balance (realized P&L) for a selected month, as well as all deposits, withdrawals, interest earned, and fees charged (if any).

Detailed transaction listing: Lists complete trade details for any selected date range, including trade date, currency pair, trade direction (buy or sell), position size for both currencies in the pair traded, and executed trade rate.

Open forex positions: A summary view of all open positions including position size, USD value, average rate of open positions, reval rate (current market rate), and unrealized P&L. This report supplements real-time position information available in the position management screen of the trading platform.

Order history: Provides details on all order activity for a selected data range including order entry date and time stamp, and a list of all cancelled and/or executed orders and reference number. The log entry column provides a confirmation number and action detail for any order.

Rollover history: Provides rollover details for any transaction held open past 5 p.m. EST, including rollover rate and USD value. May be generated for any given date range.

Realized P&L: Provides the same information as the detailed transaction listing in addition to the realized profit or loss for every round-trip trade.

Note: all reports can be printed or copied and pasted into Microsoft Excel.