

# Pre-Trade Risk Limits



## LMAX InterBank – Pre-Trade Risk Limits

On the LMAX Interbank each Bank Member settles with the Settlement Bank only. The Settlement Bank sets the settlement limits per value date and Bank Members have the ability to control their exposure by instructing LMAX InterBank to lower their settlement limit at any time. Any increase to a settlement limit requires approval from the Settlement Bank. Any Orders which would break these limits, will be rejected by the LMAX InterBank system pre-trade. A full description of how the Net Open position and Gross limits are calculated, is given below:

### Net Open Position and Gross Limits

LMAX implements real time Net Open Position and Gross Limits per value date. The limits are based on executed orders and all open orders. Net open positions are calculated based on the net of positions for each currency. Gross limits are calculated based on the sum of the absolute positions for each currency pair.

### Calculation of Net Open Position Limits

Net Open Position (NOP) Limits are calculated based in USD.

1. Short and Long Positions (traded and open) for each currency are netted off.

Order Book			
	Filled Order	Unfilled Order	Limit Price of Orders
AUD/USD			
AUD Position	10	90	1.03105
USD Position	-10.3105	-92.7945	
AUD/JPY			
AUD Position	5	-20	96.778
JPY Position	-483.89	1935.56	
USD/JPY			
USD Position	-6	3	93.874
JPY Position	563.244	-281.622	

Net Open Positions		
	Positions in Each Currency	Positions in USD
USD Positions	-106.105	
AUD Positions	85	
JPY Positions	1733.292	

2. Each currency net open positions are converted into USD based on the LMAX InterBank closing prices from the previous trading day

Net Open Positions		
	Positions in Each Currency	Positions in USD
USD Positions	-106.105	-106.105
AUD Positions	85	90.015
JPY Positions	1733.292	19.262074

Closing Prices Converted in USD Rates	
JPY	0.011113
AUD	1.059
USD	1

3. All short positions are summed. All long positions are summed.

Net Open Positions		
	Positions in Each Currency	Positions in USD
USD Positions	-106.105	-106.105
AUD Positions	85	90.015
JPY Positions	1733.292	19.262074

Net Open Positions, in USD	
Short Positions	-106.105
Long Positions	109.277074

- The NOP Limit is based on the highest exposure of your short and long positions

Net Open Positions, in USD	
Short Positions	-106.105
Long Positions	109.277074

  

Net Open Position Limit	
	109.277074

### Calculation of Gross Limits

Gross Limits are set at a higher threshold based on the sum of your absolute positions for each currency pair per value date. Gross Limit positions are based in USD.

- The absolute position for each currency pair is calculated. For USD pairs, where USD is the base or quote currency, the USD position is used. For non-USD pairs, the base currency position is used.

Order Book				Absolute Positions	
	Filled Order	Unfilled Order	Limit Price of Orders		
AUD/USD				AUD/USD	103.105
AUD Position	10	90	1.03105	AUD/JPY	25
USD Position	-10.3105	-92.7945		USD/JPY	9
AUD/JPY					
AUD Position	5	-20	96.778		
JPY Position	-483.89	1935.56			
USD/JPY					
USD Position	-6	3	93.874		
JPY Position	563.244	-281.622			

- The positions are then converted into USD using the closing prices from LMAX InterBank from the previous trading day.

	Absolute Positions	Absolute Positions in USD
AUD/USD	103.105	103.105
AUD/JPY	25	26.475
USD/JPY	9	9

  

Closing Prices Converted in USD Rates	
JPY	0.011113
AUD	1.059
USD	1

- The Gross Limit is the sum of all the positions for each value date.

Absolute Positions in USD	
AUD/USD	103.105
AUD/JPY	26.475
USD/JPY	9

  

Gross Limit	
	138.58