

## FX Conversion in Traders Workstation (TWS)

### Market Value

The trading account can hold multiple currencies (you can have amounts of AUD, USD, JPY, etc, all held in the same account), and these are all displayed in the Market Value section. You will need to make sure that the Market Value section is completely expanded to view all of the currencies in the account (click the small green '+' icon on the right hand side, as shown below).

It is very important to understand the way that holding different currencies affects your account value. When you trade, profit/loss made is held in the currency traded until you choose to convert it back to base currency. For example, if you make a profit on US based futures contracts, the profit will remain in USD until manually converted to AUD. Please see below (Conversion of Currencies) for instructions on how to convert your currencies to base currency AUD.

Balances							
Parameter	Total	Securities	Commodities				
Net Liquidation Value	18,854.08 AUD	16,284.78 AUD	2,569.31 AUD				
Equity With Loan Value	16,659.66 AUD	16,284.78 AUD	374.88 AUD				
Cash	18,854.08 AUD	16,284.78 AUD	2,569.31 AUD				

Margin Requirements			
Parameter	Total	Securities	Commodities
Current Initial Margin	3,887.84 AUD	925.37 AUD	2,962.48 AUD
Current Maintenance Margin	3,119.79 AUD	925.37 AUD	2,194.43 AUD

Available for Trading			
Parameter	Total	Securities	Commodities
Current Available Funds	14,966.24 AUD	15,359.41 AUD	-393.17 AUD
Current Excess Liquidity	15,734.29 AUD	15,359.41 AUD	374.88 AUD
Buying Power	51,651.81 AUD		

Market Value							
Currency	Cash	Accrued Interest	Stock	Options	FOPs	Nt Lqdn Vl	Unrealized P&L
AUD	19,962.22	0.00	0.00	0.00	0.00	19,962.22	0.00
JPY	2,425,000.00	0.00	0.00	0.00	0.00	2,425,000.00	-45,062.45
USD	-25,301.38	0.00	0.00	0.00	0.00	-25,301.38	302.55
Total (in AUD)	18,854.08	0.00	0.00	0.00	0.00	18,854.08	-224.62

FX Portfolio										
Conctr	Dscrptn	Position	Currency	Market Value	Market Price	Average Price	Unrlzd P&L	Realized P&L	Liquidate	Last
USD	JPY	-25,000	JPY	-2,470,06...	98.8025	97.00	-45,062.45	0.00	No	

Portfolio										
<input checked="" type="checkbox"/> Show zero position rows										
Conctr	Dscrptn	Pos	Currency	Market Val...	Market Price	Average Price	Unrealized P&L	Realized P&L	Liquidate	Last
ZC	DEC2008	-1	USD	-18,775.00	3.755	3.81551	302.55	0.00	No	

*In the above example, this account is currently holding AUD, JPY, and USD (in negative, which means that this amount is currently owing). These currencies, if converted at the current exchange rates, equal AUD\$ 18,854.08.*

## Net Liquidation Value

The Net Liquidation Value of the account is the total account value, which takes into account the value of all currencies held in your account, both base currency (AUD) and any other currencies, as well as the current value of your open commodities and equities trades (initial margin requirements are included, as well as current profit/loss). Because the account's base currency is AUD, the total of all of your cash and positions is shown in AUD at the current point in time.

For example, if your account held AUD and USD, the Net Liquidation value would show the total current value of both, at the current exchange rate.



Parameter	Total	Securities	Commodities
Net Liquidation Value	18,854.08 AUD	16,284.78 AUD	2,569.31 AUD
Equity With Loan Value	16,659.66 AUD	16,284.78 AUD	374.88 AUD
Cash	18,854.08 AUD	16,284.78 AUD	2,569.31 AUD

*As shown in the previous example, the Net Liquidation Value shows the current value of all currencies and positions held at the current exchange rates.*

## Futures VS Foreign Exchange

It is important to understand the way in which trading FX affects your account value, and how this differs from trading commodities and equities.

When you trade futures contracts based in USD, the initial margin requirement is deducted from your account in USD. Your AUD is not automatically converted to cover this, as is commonly believed, but the USD value is borrowed in order to place the trade (the platform will check to make sure that you have the *equivalent* value in AUD).

For example, if you have AUD \$10,000 in your account, and you place a trade for a futures contract with a margin requirement of USD \$2000, you will see the following in your Market Value section:

<b>AUD</b>	<b>10,000.00</b>
<b>USD</b>	<b>-2000.00</b>

When the futures contract is closed, the initial margin will be returned to your account, plus/minus the profit/loss that you have made. In the previous example, if you made a loss of USD \$45, the Market Value section would show:

<b>AUD</b>	<b>10,000.00</b>
<b>USD</b>	<b>-45.00</b>

This amount would remain in USD until it is manually converted back to base currency AUD.

Foreign Exchange works differently. When you place an FX trade, you are technically not buying a contract – you are borrowing funds to convert to another currency, then, after the exchange rate changes, converting back to the original currency. The profit/loss made is the difference in value of the currencies since the initial conversion.

For example, if you put on a trade in GBP.USD, for a short position of 18,000, you would be borrowing one currency to convert to the other, and your Market value section would show:

<b>GBP</b>	<b>-18,000.00</b>
<b>USD</b>	<b>28,440.00</b>

The Net Liquidation value would remain relatively the same at the time of placing the trade, but it would fluctuate as the exchange rates change.

When you close the trade, the platform will convert the USD back to GBP to become square. However, it will require enough to cover the 18,000, which could be more or less than is currently held in USD, depending on how the exchange rate has changed, and whether you are in profit or loss. If the exchange rate has moved in your favour, there would be some USD left over, and your Market Value section would retain the amount of USD - a profit. If the exchange rate moved the other way, the platform would actually need more USD than what is currently held, and you would be left with a negative USD balance - a loss.

The FX Portfolio section shows open FX positions, but it is important to understand that all FX positions are ‘virtual’ positions – they are shown as a representation of the difference in value between the two currencies of the traded pair, from the time of ‘opening’ the trade to the current point in time. The ‘real’ position is the actual currencies held in the account.

For the previous example, the GBP.USD trade might show the following in the FX portfolio:

Contract Description	Position	Currency	Market Value	Unrealized P&L
<b>GBP.USD</b>	<b>18,000.00</b>	<b>USD</b>	<b>28,440.00</b>	<b>-620.00</b>

This position shows the change in value since opening the trade (shown in unrealized P & L). If, however, your account is holding currencies as a result of profit/loss on trades that were previously closed, and you have no open trades currently showing in your portfolio, you are still exposed, to an extent, to the fluctuations in the exchange rates of these currencies. If you held AUD and USD in your account, your Net Liquidation Value would also change with the AUD.USD exchange rate, even though you have no position showing for that currency pair.

To reduce this exposure, you might decide to convert your currencies back to AUD after closing your trades. Alternatively, if you are expecting a better exchange rate later, you may wait and convert your funds later. The following section is a guide for how to convert your currencies back to base currency, AUD, when you are ready to do so.

## Conversion of Currencies

To convert a non-base currency back to AUD, you will need to place an order to convert the currency. Because this will only be a one-way conversion (you want to change the currency to AUD, but you will not need to convert it back), the position shown in the FX Portfolio can be zeroed, so that it no longer shows a position.

The steps in this process are as follows:

### 1. Place the order.

Right click on the currency line in the Market Value section, and select 'Close Currency Position'. This will open an order line in the Order Management page for the required amount.

Market Value						
Currency	Cash	Stock	Options	FOPs	Net Liquidation Value	
AUD	931,266.21	0.00	0.00	0.00	931,266.21	✓
CAD	9.20	0.00	0.00	0.00	9.20	✓
EUR	-38.20	0.00	0.00	0.00	9.42	✓
GBP	-101.30	0.00	0.00	0.00	-101.30	✓
JPY	380.77	0.00	0.00	0.00	380.77	✓
KRW	-6,827,230.10	0.00	0.00	0.00	-6,832,952.85	✓
USD	35,341.78	0.00	0.00	0.00	35,341.78	✓
Total (in AUD)	974,578.58				974,661.07	✓

FX Portfolio									
Conctr	Descrptn	Pos	Currency	Market Val...	Market Price	Average Price	Unrealized P&L	Realized P&L	Liquidate Last
AUD	USD	0	USD	0.00	0.68935	0.00	0.00	1,042,434.12	No

A message box will appear to confirm that an order will be placed to convert the currency. Click OK.



If the order is smaller than the minimum lot size, it might take a while to fill if it is on the IDEALPRO exchange (it will fill, but could take a while – sometimes over an hour). To avoid this, you can change the exchange to IDEAL, by clicking IDEALPRO on the order line (this is not the one under the exchange column, but on the order line near the Transmit (T) button), and selecting IDEAL.



Click T to transmit the order.

## 2. Zero the position.

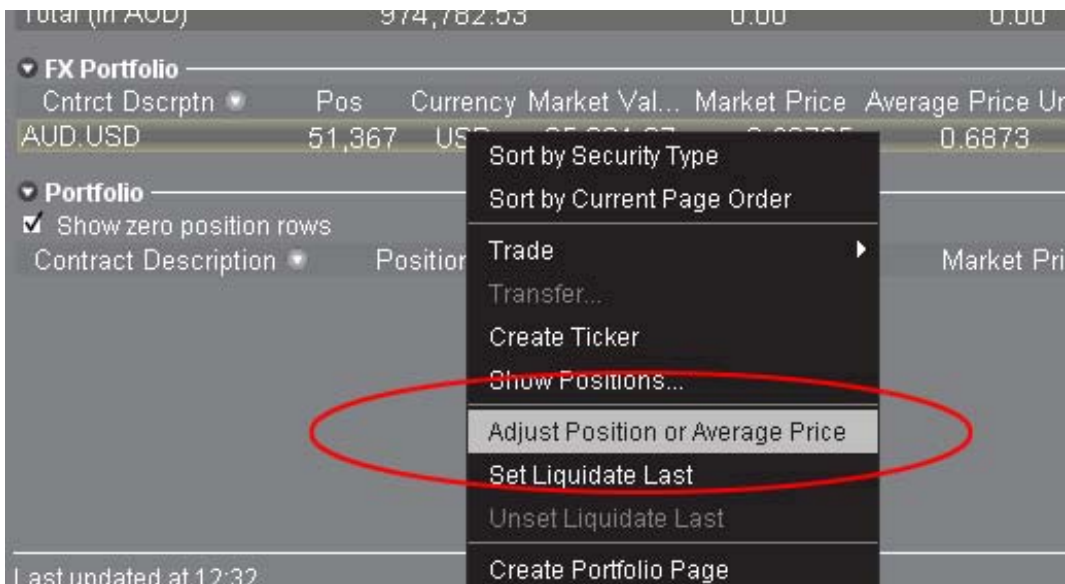
If you now have a look at your Account Window, you will see that the non-base currency has been reduced to near zero, and the AUD balance has also changed to reflect the conversion. The FX portfolio will show an open trade, but remember that this is also a 'virtual position', which only shows the difference in price since the conversion. Because you only need to do a one-way conversion (you will not need to convert it back later), you can zero out the position.

Market Value						
Currency	Cash	Stock	Options	FOPs	Net Liquidation Value	
AUD	982,629.52	0.00	0.00	0.00	982,629.52	✓
CAD	9.20	0.00	0.00	0.00	9.20	✓
EUR	-38.20	0.00	0.00	0.00	9.42	✓
GBP	-101.30	0.00	0.00	0.00	-101.30	✓
JPY	380.77	0.00	0.00	0.00	380.77	✓
KRW	-6,827,230.10	0.00	0.00	0.00	-6,832,952.85	✓
USD	37.24	0.00	0.00	0.00	37.24	✓
Total (in AUD)	974,782.53	0.00	0.00	0.00	974,865.32	✓

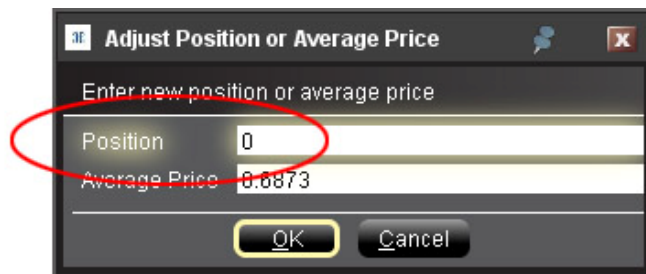
  

FX Portfolio								
Contract Description	Pos	Currency	Market Val...	Market Price	Average Price	Unrealized P&L	Realized P&L	Liquidate Last
AUD.USD	51,367	USD	35,301.97	0.68725	0.6873	-2.57	1,042,434.12	No

To do this, right-click on the position, and click on 'Adjust Position or Average Price'.



Change the position to zero, and click OK.



You will now see that the position is zero, and the currency has been converted to AUD.

Market Value						
Currency	Cash	Stock	Options	FOPs	Net Liquidation Value	
AUD	982,629.52	0.00	0.00	0.00	982,629.52 ✓	
CAD	9.20	0.00	0.00	0.00	9.20 ✓	
EUR	-38.20	0.00	0.00	0.00	9.42 ✓	
GBP	-101.30	0.00	0.00	0.00	-101.30 ✓	
JPY	380.77	0.00	0.00	0.00	380.77 ✓	
KRW	-6,827,230.10	0.00	0.00	0.00	-6,832,952.85 ✓	
USD	37.24	0.00	0.00	0.00	37.24 ✓	
Total (in AUD)	974,782.19	0.00	0.00	0.00	974,865.07 ✓	

FX Portfolio								
Cntrct Dscrptn	Pos	Currency	Market Val...	Market Price	Average Price	Unrealized P&L	Realized P&L	Liquidate Last
AUD USD	0	USD	0.00	0.68725	0.00	0.00	1,042,434.12	No