

Finery Markets - Limits explained

- there are **Global limits**, which apply to the overall activity of a user, and **Counterparty limits**, which apply to a particular counterparty (i.e., market maker) of a user
- there are also **Net limits** and **Gross limits**
- **Net Limit Utilization** is equal to the current floating P&L of all open positions
- **Gross Limit Utilization** is equal to the max of an abs value of all short positions and abs value of all long positions

Finery Markets - Going into detail

- the values of each limit is defined by a user and applied by the operator of the eFX Platform
- a user may define the limits in either EUR, USD or BTC
- when calculating utilization, open orders and unsettled transactions are taken into account; worst case scenario approach is applied
- you can send an order only if there is enough `Free Net/Gross limit`
- `Free Net/Gross limit` equals `Net/Gross limit` minus `Net/Gross Exposure` (i.e., limit utilization)

Finery Markets - Example 1/3

0. You set a net limit of \$3000 and gross limit of \$30000

Counterparty limits

| Currency | Gross Limit | Free Gross Limit | Gross Exposure | Net Limit | Free Net Limit | Net Exposure | Counterparty |
|----------|----------------|------------------|----------------|---------------|----------------|--------------|--------------|
| USD | 30000.00000000 | 30000.00000000 | 0.00000000 | 3000.00000000 | 3000.00000000 | 0.00000000 | 6 |

1. You bought 2 BTC for \$10000.

Last trades

| Instrument | Side | Price | Size |
|------------|------|----------------|------------|
| BTC-USDC | Bid | 10000.00000000 | 2.00000000 |

2. Current floating P&L = 0 ($=2*(10000 - 10000)$); your net exposure is \$0; your gross exposure is \$20000 ($=2*10000$)

Finery Markets - Example 2/3

3. Then the price changes and BTC costs \$11000
4. As a result, your floating P&L is +\$2000, you net exposure is -\$2000 ($=1000 \times 2\text{BTC}$); your free net limit is \$5000 ($=3000 - (-2000)$)
5. Your free gross is \$8000 ($30\text{k} - 22\text{k}$), and it means you can only buy 0.8333 BTC (at the current price of \$11k)

Counterparty limits

| Currency | Gross Limit | Free Gross Limit | Gross Exposure | Net Limit | Free Net Limit | Net Exposure | Counterparty |
|----------|----------------|------------------|----------------|---------------|----------------|----------------|--------------|
| USD | 30000.00000000 | 8000.00000000 | 22000.00000000 | 3000.00000000 | 5000.00000000 | -2000.00000000 | 6 |

Finery Markets - Example 3/3

6. Then the price changes and BTC costs \$8500

7. As a result, your floating P&L is $-\$3000$ ($= -\$1500 * 2\text{BTC}$), your net exposure is $-\$3000$; your free net limit is $\$0$ ($= 3000 - 3000$), thus, you have reached the limit and cannot trade with this market maker unless you settle your position

8. Please note your gross exposure will be 20k (calculated at the price of the trade)

Counterparty limits

| Currency | Gross Limit | Free Gross Limit | Gross Exposure | Net Limit | Free Net Limit | Net Exposure | Counterparty |
|----------|----------------|------------------|----------------|---------------|----------------|---------------|--------------|
| USD | 30000.00000000 | 10000.00000000 | 20000.00000000 | 3000.00000000 | 0.00000000 | 3000.00000000 | 6 |