

10% margin sounds like a discount, and in a way, it is one. It means you only need to put up 10% of a position's full value in order to open it, the rest is basically borrowed money/financed through leverage. It works out to 10:1.



Control a 10,000\$ position with only 1,000\$. Simple math, which is exactly why the phrase "10% margin!" is shouted in almost every ad to get your attention. It's not a trap, though. It's not too good to be true in the sense of being fake. The mechanism works, it is regulated, and it's been used for years by traders worldwide. What is deceiving about it is how it's phrased. "Only 10% margin" makes it seem like a discount on risk, but really it's just a discount on the capital required. Those are two completely different things, and mixing them up causes most people to get hurt. Where the trap really lies Margin requirements don't reduce your risk. They reduce your entry costs. Your position still moves based on 10,000\$ exposure, not 1,000\$. A 5% negative move against a 10:1 leveraged position is not costing you 5% of your margin, it's costing you 50%. Multiply that by two and you will start to get an idea as to why margin calls exist and how quickly they can occur for beginners. I remember opening my first leverage position many years ago and not really understanding this until my account equity fell below what I thought should have been possible to lose for an account based on my initial capital. It clicked right after that, the "worst way possible", but it was a lesson I will certainly never forget. Read between the lines before you uncork the champagne! It all [Trade US equities internationally](#) depends on what asset you are trading and according to which regulations you are trading. For instance, with the main forex pairs such as the euro vs. Us dollar, the margin requirement may be very low (e.g. 10%), but if you were to trade small cap CFDs, the margin requirements might be higher than 20% or more. This has nothing to do with the broker being inconsistent, it all has to do with a risk-based pricing model and it's designed to do exactly what it's supposed to do. So is it too good to be true? No. Is it a free lunch in disguise? No. It just pushes the goalposts as to where your risk will arise – further away from your door, but deeper inside your room. If you consider 10% margin as opportunity and not as safety, you will no longer view it as marketing hype and you will instead realize it is a tool meant for those who know what they are doing.