

Prohibited gambling strategies

The general public frequently perceives financial market trading as gambling. Although this statement is false, many traders trade like gamblers and unknowingly support it. This policy refers to these traders. We must take specific measures to address these traders to protect them while continuing to provide opportunities for prudent risk managers and legitimate traders.

Some traders gamble because they want to make a quick buck. The issue is that a quick profit usually implies a high risk and a low likelihood of success. Furthermore, financial markets are considered high-risk markets where one can make a lot of money.

Suppose we suspect you are attempting to gamify the offer created by Funded for aspiring consistent traders. In that case, we reserve the right to substantially de-risk your trading strategy, which may include lowering your leverage or payout. We will only do this if our team of risk managers deems your style to fall into one of the categories. Below is a list of restricted practices.

Over-leveraging

Over-leveraging is a classic example of gambling that many traders engage in. Some traders believe that the larger the positions they open, the faster they will become wealthy. Unfortunately, such prominent positions frequently increase trader stress due to the possibility of a significant loss, resulting in a negative effect on the psyche, which leads to more mistakes and the initial trading plan being sabotaged.

At the same time, trading large positions (whether opened as a single entry or gradually through additional trade reinforcements) limits the trader's options. A trader must consider the Maximum Daily Loss objective when trading for Funded. Each additional position open increases the trader's risk of exceeding the Maximum Daily Loss limit if markets do not go their way. As a result, they must reduce their Stop Losses (in points/pips) or risk being unable to open another potentially profitable position.

When they are a few percent short of meeting the profit requirements, some traders tend to increase their positions to the extreme a few days before the end of the Evaluation Phase 1 or 2. While this may appear to be a good idea, if they make a sudden move in the opposite direction of their position, they may end up in the red or, worse, violate the Maximum Loss condition. Taking such a risk is usually not worth it, because with Funded, you have options such as a 14-day extension or a free opportunity to repeat your Evaluation.

One-sided bets

Opening up larger positions consecutively (stacking) on one instrument can be considered gambling. Alternatively, as previously mentioned, this can include opening consecutive positions in profit or, in loss.

Opening additional positions is pure gambling if the first position is significant and exceeds the limits of proper risk management.

While it is true that adding to a profitable trade can be a profitable strategy in the event of a strong trend, are you confident in the long-term trend?

This is especially true when opening a position at a loss because the desire to change the market's direction as positions grow causes unnecessary stress and a potentially significant loss, which a trader may take a long time to recover from.

Simply put, such behavior has nothing to do with serious trading. A serious trader possesses certain characteristics. He has an advantage in his strategy that he can use daily, month after month, and year after year.

Overexposure

To diversify their risk, some traders trade multiple instruments. Even in this case, a trader may open multiple positions representing different instruments or currency pairs. However, the trader is exposed to more risk on one instrument or currency. Opening multiple positions on different significant pairs is a common example. What appears to be a diverse position could be one large dollar bet.

However, scaling in or, conversely, diluting positions is similar. Consider the following scenario. You have caught a trend movement, everything is going well, and you are happily buying to maximize your profit. Is this, however, the best approach?

Isn't it always the same trading strategy? In this case, are you upholding good risk and money management?

Dangerous situations include when a trader opens a position or a series of positions that are so large that they consume all of the available margin. Although the trading account technically allows it, this is not a risk or money management strategy, even if the trader has entered Stop Losses. Slippage, order execution at a different value, sudden price fluctuations, gaps, flash crashes, and other concepts are all understood by an experienced trader. Because the trading account responds to actual market liquidity, no one can guarantee that the order entered will be executed.

Rolling Accounts

Account rolling is an intriguing case and type of gambling, particularly for prop trading firms. In this case, traders will purchase the maximum number of evaluation courses available. They are able to finish these (including Phase-2). However, due to the total allocation limit for one trader/strategy, they can only trade on some accounts at the same time or combine them into one account.

This gives them the impression that they can open unnecessarily risky trades on the account they were given first. If they breach that account recklessly, they can immediately begin trading in the next one.

However, Funded encourages traders to take the exact opposite approach. Thanks to the Scaling plan, not only can traders keep the balance earned as a scaling perk even after they withdraw, but we also increase your overall drawdown by 1% with each withdrawal up to 14%.

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