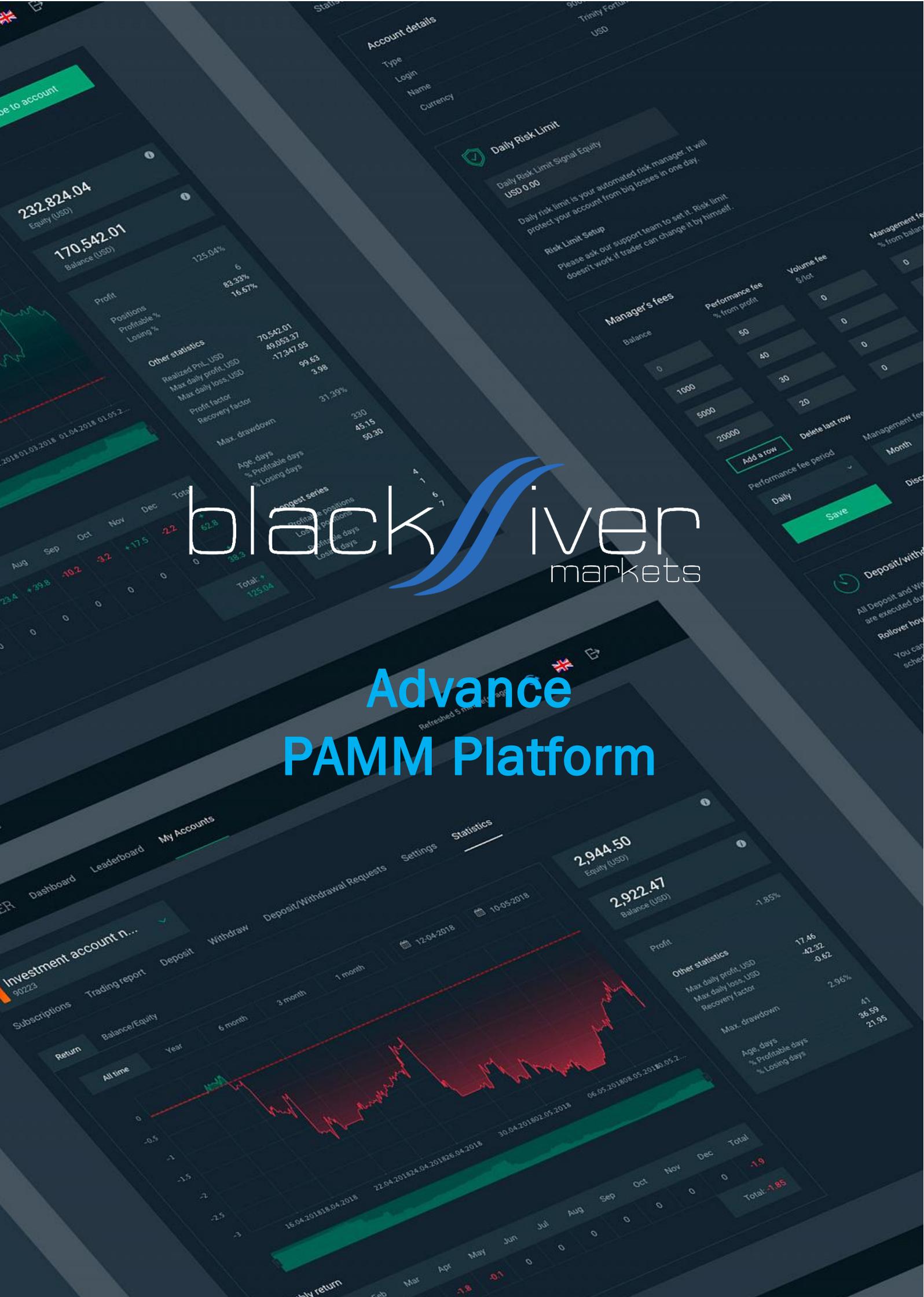




Advance PAMM Platform



Percent Allocation Management Module

PAMM accounts provides all your traders to run their own investment funds.

Account type in manager's app is called

- Cash Manager (For Master)
- Cash Investor (For investor)

In investment platform for MT4 second PAMM account type is available: **Fund Manager and Fund investor**

Main features

1. All investment accounts are combined in one big trading account (master account = PAMM account)
2. Only money manager can trade on PAMM account. Trading is disabled for investors.
3. All investors get share of P&L made on PAMM account proportionally to sizes of their accounts.
4. Can work as social investment tool with money managers shown in leader board and as institutional investment tool (MAM) when broker subscribes investors to master accounts
5. Several execution options are available, including autocorrection of master's positions on withdrawals
6. Automated rollovers for deposits and withdrawals
7. No need to close master positions during subscribe / unsubscribe / deposits or withdrawals
8. Fees for all investors can be set up separately
9. Automated subscribe / unsubscribe of investors
10. Investors cannot see any opened positions in their MT5 terminal.
11. Investors can see their performance and current equity including floating P&L of their investment accounts in web interfaces.
12. All P&L is distributed to investment accounts with 0.01USD/EUR/GBP precision (min available part of base currency of investment account)

Allocation of positions in PAMM accounts

1. Master account (PAMM account) consists of investment accounts (Equity of PAMM account = sum of equities of investment accounts).
2. Only Money manager can trade on master account.
3. When money manager makes trades, the position(s) doesn't appear on investment account.
4. When money manager closes position(s), investors get balance operations with their share of P&L for that position.

Formula for calculation of P&L for investment account:

$$\text{P\&L of investor} = \text{Closed P\&L for master position} \times (\text{Investor's Equity} / \text{Master's Equity})$$

Example:

PAMM account = 10000 USD

Investment account #1 = 1000 USD

Investment account #2 = 2000 USD

Investment account #3 = 7000 USD

Step 1: Master opens BUY 1 lot EURUSD @1.2110. Nothing is opened on investment accounts.

Step 2: Master closes 1 lot EURUSD @1.2120. Closed profit = 100USD.

Step 3: Investor #1 gets balance operation with 10USD. Investor #2 gets balance operation with 20 USD profit. Investor #3 gets balance operation with 70USD profit.

Behaviour of PAMM accounts during Deposits / Withdrawals

When somebody makes Deposit/Withdrawal (DW) shares of investment accounts are recalculated accordingly to new shares of investment after DW.

Example:

Initial state: Master account = 1000USD. it has only 1 investor with 1000 USD.

Step 1: Master opened BUY 1 lot EURUSD @1.21100.

Step 2: Investor #2 subscribed and deposited 2900USD when EURUSD was @1.21200.

Step 3: Investor #1 got balance operation with floating P&L at the moment of DW: +100USD

Step 4: Master closed position @1.21000.

Step 5: Investor #1 got a balance operation with his share of P&L between DW and closing of position: -28USD (-100USD *(loss)* x (1100USD/4000USD). Investor #2 got his share of P&L: -72USD

Note:

- Total loss in trading -100USD
- Total first investment 1100USD
- Total all investment 4000USD

Additional options of execution:

1. Autocorrection of master positions on Withdrawals
2. Deposits without rebalancing of positions

How autocorrection works:

Autocorrection helps money manager to automatically save same leverage (or margin level) on his account as before withdrawal by partial close of opened positions.

For example, we have PAMM account (4000USD) with 2 investors: 1000USD (25%) and 3000USD (75%). He has 1 lot EURUSD opened position.

then investor #2 withdraws 2000USD.

Before withdrawal investor #1 had virtual position: 0.25 lot EURUSD and investor #2 0.75 lots respectively.

With autocorrection

Master position will be partially closed by autocorrection proportionally to withdrawal amount >>>
 $2000\text{USD}/4000\text{USD} \times 1 \text{ lot} \ggg 0.5 \text{ lots}$ will be closed.

So after withdrawal investor #1 will get same size of virtual position: 0.25 lot same as investor #2 (they have same equity).

Without autocorrection

Positions of money manager will not be affected but investors will get new shares in PAMM after withdrawal: investor #1: 50% and investor #2: 50%.

So both investor #1 and investor #2 will get 0.5 lots of EURUSD after withdrawal.

That means that leverage for investor #1 increased by 2 because of actions of investor #2.

We implemented rollovers to eliminate such surprises because of withdrawals or deposits even on model without autocorrection.

Money manager can set a schedule for deposits and withdrawals, so he knows when exactly will be executed DW requests and how much money investors plan to deposit and withdraw.

He can make set a schedule for rollovers in settings of master account in his account settings in Web UI.

Deposits without Re-Allocation of positions:

For example, we have PAMM account (4000USD) with 2 investors: 1000USD (25%) and 3000USD (75%). He has 1 lot EURUSD opened position.

then investor #2 deposits 4000USD.

Before withdrawal investor #1 had virtual position: 0.25 lot EURUSD and investor #2 0.75 lots respectively.

After deposit their virtual positions will not be changed. Investor #1 will have same 0.25 lots and Investor #2 will have 0.75.

It is highly recommended not to use that feature because of 2 side effects:

1. Performance of master account will be different from performance of investment accounts (as positions were not rebalanced).
2. Master account will have bigger margin level then investor #1, so investor #1 can hit stop-out earlier than master.

Logic of Partial Close During Deposits/Withdrawals

	Master account				Investor 1				Investor 2			
	Balance	Equity	Position	Closed positions	Balance	Equity	Open Positions	Closed positions	Balance	Equity	Open Positions	Closed positions
Step 1 Initial state	0	0	—	—	0	0	—	—	0	0	—	—
Step 2 Investor 1 made a deposit. It reflected both on master	1000	1000	—	—	1000	1000	—	—	0	0	—	—
Step 3 Master opened a position 1 lot EURUSD. It was allocated to one and only active investor.	1000	1000	1 lot EURUSD @1.1555 (BUY)	—	1000	1000	1 lot EURUSD @1.1555 (BUY)	—	0	0	—	—
Step 4 Market moved to 1.1600	1000	1450	1 lot EURUSD @1.1555 (BUY)	—	1000	1450	1 lot EURUSD @1.1555 (BUY)	—	0	0	—	—
Step 5 Investor #2 Deposited 550\$. It reflected on master and caused re-allocation of current positions on investors.	1550	2000	1 lot EURUSD @1.1555 (BUY)	—	1450	1450	0.73 lot of EURUSD @1.6000	1 lot EURUSD (BUY) open price: 1.1555 close price: 1.1600	550	550	0.27 lot of EURUSD @1.6000	—
Step 6 Market moved to 1.1700	1550	3000	1 lot EURUSD @1.1555 (BUY)	—	1450	2180	0.73 lot of EURUSD @1.6000	1 lot EURUSD (BUY) open price: 1.1555 close price: 1.1600	550	820	0.27 lot of EURUSD @1.6000	—
Step 7 Investor #2 makes partial withdrawal (410\$). His positions are closed proportionally to withdrawal amount.	1293 (1550-410+203)	2590	0.86 lot EURUSD @1.1555 (BUY)	0.14 lot of EURUSD (from 1.1555 to 1.7000)	1450	2180	0.73 lot EURUSD @1.1600 (BUY)	1 lot EURUSD (BUY) open price: 1.1555 close price: 1.1600	280\$ (550-410+140)	410\$	0.13 lot of EURUSD @1.16000	0.14 lot EURUSD (BUY) open price: 1.1600 close price: 1.1700
Step 6 Market moved to 1.1650	1,293	2160 (2590 - 0.86*500)	0.86 lot EURUSD @1.1555 (BUY)	—	1450	1,815	0.73 lot EURUSD @1.1600 (BUY)	1 lot EURUSD (BUY) open price: 1.1555 close price: 1.1600	280\$	345	0.13 lot of EURUSD @1.16000	0.14 lot EURUSD (BUY) open price: 1.1600 close price: 1.1700
Step 7 Investor 2 withdraws all funds	948	1815	0.73 lot EURUSD @1.1555 (BUY)	—	1450	1815	0.73 lot EURUSD @1.1600 (BUY)	1 lot EURUSD (BUY) open price: 1.1555 close price: 1.1600	0	0	0	0.14 lot EURUSD (BUY) open price: 1.1600 close price: 1.1700 AND 0.13 lot of EURUSD BUY From 1.16000 to 1.16500

2 PAMM ACCOUNTS MODELS



General description for PAMM

- 1) Master account consists of equity of all investment accounts.
- 2) Master account is the only «real» trading account. So all orders to LPs will be sent from Master account only.

Difference

Split of positions

Position of Master account distributed to investors' MT4 accounts proportionally to sizes of investors.

Pros:

Transparency in MT

Investor can see his positions in Metatrader.

No changes of positions

When new investor makes a deposit or withdrawal, opened positions of current investors stays same.

One of our clients doesn't want to switch to cash distribution because his Chinese customers love when even after joining new investors to PAMM their positions stays same.

Cons:

Rounding to 0.01 lot

Master Order can be distributed to slaves only with rounding to 0.01 lot (to minimum lot size for instrument).

That means causes problems with distribution when investors in PAMM has significantly different sized of accounts (e.g. \$100 and \$1000000). In that case small investors can get sometimes no positions or bigger leverage.

It is highly recommended not to use it if a manager wants to trade with less than x5 leverage on PAMM where all accounts are different and can be very small or too big.

Different performance

As soon as new investors get only new trades, performance of investors can be different. PAMM become bigger after deposit but positions wasn't splitted to new slaves.

Important:

If a big new deposit joins PAMM, current positions will not be distributed to new account. So stop-out on slaves can occur faster even if free margin on Master account is enough. There is no such problem with cash distribution.

Split of Realized PnL

Profit and Loss which Master got from the positions distributed between investors proportionally to their sizes.

Rounding to 1 cent (\$0.01)

There are no trading orders distributed to investors. All PnL from positions of Master account will be distributed proportionally to sizes of investment accounts with rounding to 1 cent (maximum available precision).

No additional load to MT4

No opened orders are copied to slaves. Just balance operations. It saves the capacity and makes your server faster.

Any size of investors

As soon as no trading orders are copied to the slaves, there are no limitation of slave size. Investor with \$100 can invest in \$100000 PAMM and will get his share of PnL if it is bigger than 0.01\$.

Strategy protection

No orders are copied in MT so clients can not copy with any tool strategy of Master.

Same performance for everyone

All clients have same performance as a PAMM Master account on one time period. It is a great feature for retail investments when clients can find and join Master via leaderboard.

No updates in MT4

Investor will see only balance operations in MT4 when Master closes his positions.

BUT! investor will see Live stats and changes of equity in web interface, so «it is not a bug, it is a feature».