Safety Framework Rules

Ensuring disciplined, controlled, and risk-aligned automated trading behavior.
This document describes conceptual safety rules. No proprietary thresholds or system parameters are revealed.

Overview of the Safety Framework

Purpose of the Safety Layer

The Safety Framework protects the trader and the system from:
- Emotional override
- Revenge trading
- Stop-loss tampering

It acts as the final gatekeeper before any trade is executed.

Role in the Engine

It receives inputs from the Risk Engine and either:
- approves the trade, or
- blocks it due to safety violations.

Core Safety Rules (High-Level)

1.Stop-Loss Integrity Protection
Prevents any modification to SL values once the trade is created.
Blocks all SL widening, SL removal, or SL bypass attempts.

Reason: Ensures that system discipline cannot be overridden manually or by unstable market conditions.

2. Daily Maximum Loss Lockout
If total daily losses exceed predefined safety limits, the system halts trading for the rest of the day.

Purpose:
Protects overall capital and prevents emotional spirals.

3. Trade Frequency Limiter
Prevents excessive number of trades in a short window.

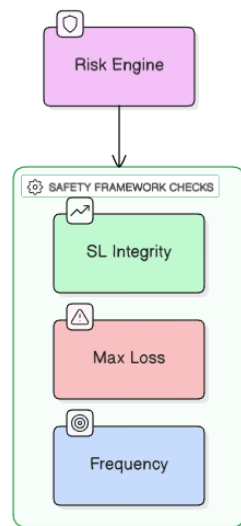## Safety Decision Flow (Illustrative Diagram)

Fig 1.1: Safety Decision Flow

Example Scenarios (Mock Examples)

Scenario 1: Daily Loss Limit Hit

- Loss reached safety threshold

- Safety Framework shuts down new trade entries

- Engine logs: "Daily Loss Cap Reached — Trading Disabled"

Scenario 2: Trade Frequency Limiter

- Number of trades in a short time exceed given threshold

- Trade: **Blocked for High Frequency**

All examples are illustrative.

Summary

Safety Framework Summary
The Safety Framework enforces system discipline and comprehensive protection through:
- Stop-loss integrity
- Loss caps
- Frequency limits
- Conflict prevention

It ensures that trades are executed only under **safe, stable, and rule-compliant** market conditions, preserving both capital and system integrity.