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What is the 1% Risk Limit Rule? Who and When Will It Be Implemented?

Updated this week

In the trading industry, the universal quote is that 95% of people lose money. Many traders fail to approach trading seriously and engage in risky behaviors such as over-risking positions, overexposure, and overleveraging in an attempt to achieve quick profits. Such traders, often referred to as gamblers, eventually face significant losses. This makes it difficult for traders to succeed and grow as a professional.

At FundedNext, we are committed to promoting professionalism and disciplined trading. Professional traders typically risk no more than 1% at a time and utilize only 20% to 30% of their margin. This measured approach allows traders to make consistent and sustainable profits over the long term. To discourage gambling-like behaviors and encourage responsible trading, the 1% Risk Limit Rule has been introduced.

Who falls under the 1% Risk Limit Rule enforcement?

The 1% Risk Limit Rule is not applied to all traders. It is specifically designed for individuals who are not following professional trading practices, to help them transition to a more disciplined and responsible trading approach as a FundedNext Trader through the guidance of our risk management team.

This rule applies to:

- **High-Risk Exposure:** Traders who use overleverage or excessive lot sizes or risk a significant portion of their balance on one or multiple trades.
- **Impulsive trading:** Traders who engage in impulsive trading without proper strategies or risk management plans.
- **Unsustainable Practices:** Traders whose gambling-like behaviors rely on one single chance over a long-term strategy, leading to unsustainable outcomes.

The implementation of this rule is based on a trader's history and activity. It is aimed at improving risk management skills and fostering a professional trading mindset.

Note: The 1% Risk Limit Rule will be communicated via email and will take effect only after the communication. The rule will be implemented for the specific account mentioned in the communication.

What Happens When the Rule is Applied?

- Traders must limit their risk to 1% at a time trade across all running trades to avoid overexposure.
- Stop-loss (SL) orders must be placed immediately on every trade to effectively manage risk.
- Trading activities will be observed to promote disciplined and sustainable trading practices.

What Happens if the 1% Risk Limit Rule is Ignored?

If the rule is not followed, ignored or gambling-like behavior continues, the trader's account may face termination, and any profits earned from trades that violated the rule could be deducted.

How Does This Rule Benefit Traders?

The 1% Risk Limit Rule is designed to support traders on their journey to becoming disciplined and successful. At FundedNext, the focus is on empowering traders to grow as disciplined professionals. Remember that professional traders risk no more than 1% at a time and typically use only 20% to 30% of their total margin. This careful approach leads to substantial and sustainable profits over time. As traders demonstrate responsible trading habits and consistency, they naturally set themselves up for long-term growth and greater opportunities. The 1% Risk Limit Rule is a tool to support traders on their journey toward lasting success.

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