



[Knowledgebase](#) > [Trading](#) > [Basics of Trading](#) > [What is a Stop Out?](#)

# What is a Stop Out?

Dan Rikkou - 2026-02-27 - [Comments \(0\)](#) - [Basics of Trading](#)

A **Stop Out** occurs when the broker automatically closes one or more of your open positions because your **margin level** has fallen below a predefined threshold.

This mechanism is designed to help prevent further losses and protect your account from going into a negative balance.

---

## □ When does a Stop Out happen?

A stop-out is triggered when:

- Your account equity decreases due to floating losses
  - Your **margin level** drops below the broker's stop-out level (e.g., 20%)
- 

## □ Margin Level Formula

$$\text{Margin Level} = (\text{Equity} \div \text{Used Margin}) \times 100\%$$

If the margin level falls below 20%, positions are typically closed automatically — usually starting with the largest losing position.

---

## □ Important Notes

- Stop-out is different from a **margin call**.
  - A margin call is a warning level; stop-out is forced liquidation.
  - Rapid market movements may result in slippage during automatic closure.
- 

□ *This content is provided for informational purposes only and does not constitute investment advice. Trading*

*with leverage involves significant risk.*