PROP FIRM MAX LOSS & RECOVERY PLAYBOOK

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CORE STRATEGY SUMMARY: Institutional capital preservation architecture, drawdown circuit breakers, and algorithmic recovery matrices ...

DAILY DRAWDOWN (DD) MATHEMATICAL ARCHITECTURE

Balance vs. Equity Reset Engine

Prop servers reset the daily drawdown threshold at 00:00 broker t
ime based on the higher of balance or floating equity, turning un

Trigger: Close or bank at least 80% of open floating profits at 23:

The 00:00 Broker Rollover Void

Spread widening across major pairs during rollover (21:55–22:15 G
MT) synthetically hits floating equity stops without price moving

Trigger: Mandate an automatic flat position or widen hard equity bu

Daily Soft Cap Alert Protocol

Internal risk circuit breaker configured to trip well ahead of th
e prop firm's hard contractual daily drawdown limit (typically 5%

Trigger: Lock the broker terminal API once equity drops 2.5% intrad

TRAILING MAX LOSS ENGINE & HIGH-WATER MARK MECHANICS

Floating High-Water Mark Lockout

In trailing drawdown models, max allowable loss trails intraday u
nrealized equity ticks up to the initial account balance, irrever

Trigger: Never allow open trades to float beyond 2R unhedged; trigg

Trailing-to-Static Transition Pivot

The threshold where the trailing drawdown halts at starting balan
ce, transitioning the account into a static drawdown model with a

Trigger: Maintain defensive sizing (0.25% risk/trade) until balance

DYNAMIC RISK DE-ESCALATION (CIRCUIT BREAKERS)

The 50% Drawdown Half-Life Sizer

Quantitative risk-reduction model that scales down lot sizes expo
nentially as drawdown approaches the hard threshold to mathematic

Trigger: Cut standard risk per trade from 1.0% to 0.5% at -2% total

Velocity-of-Loss Circuit Breaker

Execution kill-switch triggered by rapid consecutive losses regar
dless of remaining equity cushion.

Trigger: Enforce a mandatory 12-hour terminal freeze upon registeri

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THE RECOVERY MODE MATRIX (SUB-50% DRAWDOWN)

Target-Asymmetry Compression

Recovery from drawdown requires non-linear percentage gains (e.g. , losing 8% requires +8.7% to recover); standard aggressive sizin

Trigger: Target high-probability setups with strict minimum 1:3 Ris

Execution Quota Freeze

Restricting trading activity to zero secondary or counter-trend s etups while capital sits inside the lower drawdown quartile.

Trigger: Limit order execution strictly to 1 active market trade pe

SPREAD EXPANSION & RED FOLDER PROTECTION

Macro News Liquidity Squeeze Filter

High-impact releases trigger instantaneous slip on market orders and spread widening that can trigger drawdown breaches before ord

Trigger: Liquidate all positions 10 minutes prior to Tier-1 macro r

Spread Multiplier Gate

A gateway script that blocks execution if live broker spread exce eds the 20-period moving average spread by more than 150%.

Trigger: Reject market/stop order transmission if spread > 1.8 pips

CROSS-ASSET CORRELATION & PORTFOLIO HEAT

Synthetic USD Stacking Penalty

Simultaneous positions across USD pairs (e.g., Short EURUSD, Long USDJPY, Short GBPUSD) multiply risk factor to 3x nominal exposur

Trigger: Cap total net US Dollar portfolio delta at 1.0% total risk

Cross-Asset Beta Correlation Shield

Equities, high-beta FX, and Gold moving in unison during risk-off cascades blow prop buffers simultaneously.

Trigger: Ban concurrent long positions in NAS100/US30 alongside AUD

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HIGH-EXPECTANCY RECOVERY EXECUTION (A+ CRITERIA)

Liquidity Void Sweep with SMT Divergence

Highest statistical expectancy setup for drawdown extraction: sma
rt money divergence at key session highs/lows with sudden institu

Trigger: Enter upon confirmation of higher-timeframe HTF Key Level

Session Open Volume Imbalance Sweep

Exploiting initial balance expansion during London (07:00-09:00 G
MT) or NY (13:00-15:00 GMT) session opens where liquidity depth m

Trigger: Execute limit orders at the dynamic equilibrium of the pre

POSITION SIZING & ATR DYNAMIC NORMALIZATION

ATR-Inverted Lot Allocation Formula

Formula dynamically adjusting lot sizing according to live volati
lity: Lots = (Account Capital * Risk%) / (Stop Loss in Pips * Pip

Trigger: Compute Stop Loss strictly as 1.5x M15 ATR; never anchor s

Volatility Spike Lot De-Rater

Reduces position sizing during high-volatility regimes where ADR
(Average Daily Range) exhaustion has not been met.

Trigger: Multiply lot size by 0.5x if current daily range exceeds 1

SYNTHETIC HEDGING & EXPOSURE NEUTRALIZATION

Correlated Counter-Hedge Lock

Hedging an adverse move on an original asset using a tightly corr
elated alternative asset to halt floating drawdown when prop rule

Trigger: Open a 1:1 beta-weighted position on EURUSD if GBPUSD orig

De-Risking Partial Scale Matrix

Algorithmic extraction of capital from winning positions to artif
icially increase equity cushion before daily settlement.

Trigger: Automatically scale out 50% of the position at +1.5R and i

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WEEKEND GAP & OVERNIGHT HOLDING RISK CONTROLS

Friday EOD Cash-Out Standard

Overnight weekend holds expose the account to geopolitical gap ri
sk that overrides broker stop losses, directly causing fatal acco

Trigger: Execute script to close 100% of open positions on Friday a

Financing & Negative Swap Bleed Offset

Triple swap Wednesdays and heavy carry costs systematically reduc
e equity thresholds over multi-day holding periods.

Trigger: Prohibit holding overnight swing positions on pairs carryi

SYSTEMATIC PROFIT LOCKING & SCALING ALGORITHMS

The 1:1 R-Multiple Breakeven Pivot

Mandatory equity preservation rule that removes trade risk comple
tely once market reaches initial 1R profit milestone.

Trigger: When price tags 1:1 risk-to-reward ratio, execute automati

Institutional Trailing Bracket

Trailing profit behind validated structural swings rather than fi
xed pip amounts to extract extended trend runs during recovery ph

Trigger: Trail Stop Loss behind the most recent M15 structural swin

ANTI-TILT & BEHAVIORAL HARD LOCKOUTS

Revenge Execution Interceptor

Cognitive bias control mechanism that prevents instant re-entry a
fter an invalidation or unexpected stop-out event.

Trigger: Enforce a mandatory 30-minute platform lock via third-part

Post-Phase Target Euphoria Lock

Traders often give back massive profits immediately after crossin
g phase milestones due to overconfidence and size expansion.

Trigger: Cease all trading once the account reaches within 0.5% of

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LATENCY, SLIPPAGE & BROKER ROUTING PROTOCOLS

Limit-Only Execution Protocol

Using market execution under volatile conditions incurs positive slippage for the prop broker and negative slippage for the trader

Trigger: Execute all entries strictly via Limit Orders at structura

Max Slippage Rejection Gate

Internal software hook that monitors order execution differential against live feed price to prevent stop slippage from exceeding

Trigger: Abort trade transmission if the distance between order tri

STEP-LADDER RISK RAMPING OUT OF DRAWDOWN

Base Milestone Recovery Ladder

Systematic tiered approach to scaling risk back to normal paramet ers only as account reserves and psychological stability are rest

Trigger: Trade at 0.25% risk while balance is below -3%; advance ri

Consecutive Win Scaling Filter

Allows risk expansion only on positive reinforcement milestones r ather than theoretical expectations.

Trigger: Risk step-up requires 3 consecutive winning trades in the

FUNDED STAGE PAYOUT RETENTION ARCHITECTURE

The First-Payout Buffer Stratum

Until the initial payout is completed, a funded account is effect ively operating within high-stress challenge constraints.

Trigger: Trade at maximum 0.35% risk per setup until accumulated pr

Post-Withdrawal Baseline Reset Protocol

Withdrawing profits pulls the account balance directly back down to the maximum drawdown baseline.

Trigger: Following a payout withdrawal, immediately revert trading

Profit Split Retention Gate

Leaving a portion of profits in the funded account to sustain fut ure drawdowns without jeopardizing the underlying contract.

Trigger: Withdraw a maximum of 80% of eligible profits per cycle, r

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