

## Template: Forex Trading Risk Management Checklist

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Based on Article: "Comprehensive Overview of Risk Management in Forex Trading"

Website: <https://nairafx.ng>

A practical checklist for implementing effective risk management strategies in Forex trading.

### Checklist Items:

- 1. Establish Max Risk-Per-Trade Rule**  
Define a maximum risk limit per trade, typically between 0.5% to 1% of your total equity, and incorporate it into your trading plan to protect against significant losses.  
Reference Section: Executive Summary
- 2. Create Tiered Position-Sizing Template**  
Develop a position-sizing strategy that allows you to enter positions in predefined increments, enabling you to add to winning trades gradually and manage risk more effectively.  
Reference Section: Executive Summary
- 3. Implement Volatility-Based Stop Logic**  
Use a volatility indicator, such as ATR(14), to determine stop-loss distances based on current market conditions, ensuring that your stops adjust to fluctuations in volatility.  
Reference Section: Executive Summary
- 4. Maintain a Structured Trade Journal**  
Keep a detailed journal of all trades, including entries, exits, and the rationale behind each decision to reduce emotional bias and improve future decision-making.  
Reference Section: Executive Summary
- 5. Run Stress Scenarios for Tail Events**  
Conduct simulations to prepare for extreme market moves and liquidity crunches, outlining emergency measures such as reduced position sizes and exit strategies.  
Reference Section: Executive Summary
- 6. Set a Daily/Weekly Risk Budget**  
Define a daily or weekly maximum risk threshold to control portfolio exposure and limit potential losses over time.  
Reference Section: Core Principles of Forex Risk Management
- 7. Predefine Stop Placement**  
Establish clear rules for stop placement based on market structure and liquidity conditions, moving away from decisions driven by emotions.  
Reference Section: Core Principles of Forex Risk Management
- 8. Limit Leverage Usage**  
Match your leverage to your trading edge and drawdown tolerance to avoid magnifying losses during adverse market conditions.  
Reference Section: Core Principles of Forex Risk Management
- 9. Diversify Currency Exposures**  
Avoid concentrating your trades in a single currency pair or macroeconomic theme to reduce overall risks in your portfolio.  
Reference Section: Core Principles of Forex Risk Management

## □ **10. Evaluate and Adjust Trading Plan Regularly**

Review trading plan performance frequently and make necessary adjustments to leverage, stop-loss rules, and position sizes based on the outcomes observed.

Reference Section: Core Principles of Forex Risk Management