

# Template: Risk Management Implementation Checklist for Proprietary Trading

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Based on Article: "Understanding Risk Management in Proprietary Trading"

Website: <https://thetraderinyou.com>

A practical checklist to guide proprietary traders in implementing effective risk management techniques.

## Checklist Items:

- ☐ **1. Define Per-Trade Risk**  
Decide on a fixed percentage or dollar amount of capital to risk for each trade. Ensure this is documented for consistency.  
Reference Section: What Is Risk Management in Proprietary Trading?
- ☐ **2. Translate Strategy to Position Size**  
Use the strategy's win rate and average win/loss ratios to calculate an optimal position size that keeps drawdown levels manageable.  
Reference Section: What Is Risk Management in Proprietary Trading?
- ☐ **3. Set Stop-Loss Orders**  
Establish stop-loss orders as a control mechanism to limit potential losses on trades. Ensure these are recalibrated to reflect changes in market structure.  
Reference Section: How Does Risk Management Work? (Mechanics & Processes)
- ☐ **4. Conduct Pre-Trade Checks**  
Perform liquidity, correlation, and max exposure checks before placing a trade to ensure it aligns with predefined risk parameters.  
Reference Section: How Does Risk Management Work? (Mechanics & Processes)
- ☐ **5. Calculate Position Size**  
Compute the position size using the formula:  $\text{dollar risk} = \text{risk\%} * \text{equity}$ , and size accordingly at entry – stop loss.  
Reference Section: How Does Risk Management Work? (Mechanics & Processes)
- ☐ **6. Monitor Trade Performance**  
Regularly check the running P&L against limits and adjust the position as needed based on stop/target levels.  
Reference Section: How Does Risk Management Work? (Mechanics & Processes)
- ☐ **7. Perform Post-Trade Reviews**  
After closing a trade, conduct a review to analyze execution quality, adherence to rules, and document any lessons learned.  
Reference Section: How Does Risk Management Work? (Mechanics & Processes)
- ☐ **8. Track Portfolio-Level Metrics**  
Maintain oversight of overall Value at Risk (VaR), rolling drawdowns, and correlation amongst positions to manage broader risks effectively.  
Reference Section: What Is Risk Management in Proprietary Trading?