

This preliminary report overviews the causes, chronology, and recommended next steps regarding a considerable trading loss linked to overexposure on the MSA on October 23rd

## Causes

- I did not deploy a fully automated TMAD violation enforcement system within the signal engine
- I was seeking a creative solution to circumvent not having full access to the IP range requested by a 3rd party execution system linked to Tradingview indicators
  - I did not communicate regarding this issue as I was trying to avoid any further strain on the PB until some positive performance had been achieved. I did reach out to James via telegram on October 20th but eventually deleted the message on October 22nd and decided to wait until a future time to discuss further.
- I did not have an appropriate monitoring system in place to replace the information or intervention capabilities available via binance frontend access

## Situation Chronology

- After ruling out reverse port forwarding due to lack of server access at the point of origination I thought the only viable method was to build a trade mirror from another subaccount that did have the requisite IP access
- I conducted inadequate testing of the trade mirror solution as I was eager to get started
- I underestimated the difficulty of handling edge cases encountered by a trade mirror in a fast market condition
- The trade mirror resulted in inaccurate trade sizing more reflective of the source account than the destination eon account
- I did not initially have sufficiently extensive logging or alerting configured for the trade mirror as it was a new component
- Some attempts made by the trade mirror to stop out of positions were rejected by Binance API due to insufficient margin causing out of sync between source and eon account, further reducing the effectiveness of the mirror solution
- Some attempts made by the trade mirror to enter positions in the long direction were rejected due to insufficient margin, preventing the trend following part of the portfolio from functioning properly (designed to mitigate or typically exceed the losses of the mean reverting portfolio)
  - Even though the orders were rejected they appeared in historical order logs, confusing as to whether or not they actually executed
- Once I discovered the drawdown - was about \$7k - and had a partial understanding of the situation I did not have a plan in place for manually triggered immediate position closure - a "red button.py" type system
  - Ordinarily having frontend access caused complacency on implementing this

## Next Steps

- Implement and test a fully automated "tmad\_enforcer.py" type system

- Development commenced on October 25th, currently nearing a v1 where it will be ready to undergo testing
- <https://codeshare.io/1Yw0qn>
- Find or create an appropriate frontend + reporting solution
  - Potentially Eon has such infra that can be shared alternatively am looking at something like Kemet Trading, Sandwich, or Quanttower
- Discontinue the use of trade mirror, rely only on native execution, with sufficient IP whitelist
- Create a manual red\_button.py backup system to tmad\_enforcer.py enabling rapid closure of all orders and positions
  - <https://codeshare.io/X86mlk>
- Increase alert severity and handling for insufficient margin errors in grafana



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- Reduce the maximum leverage per symbol to 2x as another barrier to prevent over-exposure