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What Are Perpetual Futures? A Guide for Beginners

Original:

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BTCC lists perpetual futures on many underlyings including [BTC](#), [ETH](#), [LTC](#), [XRP](#), among others.

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What Are the Perpetual Futures?

Perpetual Futures are standardized multilaterally traded bilateral derivative contracts without expiration date and without an ordinary right to terminate those contracts; clients must provide and maintain a margin and are obliged to either pay or receive the periodic funding rate (funding payment).

Crypto perpetuals are characterised by the availability of high leverage, sometimes over 100 times the margin, and by the use of auto-deleveraging, which compels high-leverage, profitable traders to forfeit a portion of their profits to cover the losses of the other side during periods of high market volatility.

The price of a Perpetual contract is calculated based on indices or specific assets as underlying. This relation to the performance of the underlying constitutes the derivative nature of Perpetuals. Perpetuals do not expire. Once a position is opened (a new contract between the two sides of the Perpetual contract is formed), it cannot be terminated by either party without cause. Once created, the only way to close a position is being flat by opening the respective

counterposition.

Funding rates constitute a periodic obligation to pay for one side of the trade, whereas the other side of the trade receives the funding rate as a funding payment. The purpose of a funding payments is to prevent a significant divergence in price from the underlying index and the Perpetual.

Funding rates are calculated based on the Time-Weighted-Average-Price ("TWAP") of the Perpetual and the Underlying. If the Perpetual is trading at a premium (e.g. if its TWAP is higher than the Underlying), long positions in Perpetuals pay funding to short positions. The funding rate is negative. If the Perpetual is trading at a discount, short positions pay long positions. The funding rate is positive. The funding rate itself is determined by the divergence of the TWAPs. The bigger the divergence, the higher the funding rate/payment.

A position can only be opened against the respective counter party of the specific formed contract (and not with the Exchange itself).

Perpetuals are multilaterally traded as a person can have multiple counterparties for the trade. In particular, there is typically no single market maker that serves as counterparty. Any person interacting with the exchange venue can be the counterparty.

Every filled order forms a new Perpetual contract. The orders constitute the offers. The contract is concluded by matching the orders.

As described above, Perpetuals are created with every filled order. Therefore, the position itself is not transferable. The process of creating new orders is called novation. Hence, Perpetuals are traded on a primary market via a multilateral trading facility. There is no secondary market.

Perpetuals are traded on margin. It is up to the parties to provide margin. If the margin is exhausted, the trader will be liquidated by automatically flattening the trader by opening the respective counter position. Margin is not delivered to the counterparty but rather to the clearing facility.



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Why Trade Crypto Futures on BTCC Exchange?

1. Increase profitability

Low trading fees, tight spreads & deep order books of our XRP perpetual contracts increase profitability of your trades.

2. Improve risk management

Set TP / SL with your order, Leverage advanced order types and instruments (Options, Interest Rate Swaps) to create hedging strategies.

3. Identify better trades

Use professional charts & advanced analysis tools to quickly identify trading opportunities.

FAQs

When do the quarterly futures expire?

The quarterly futures expire to a TWAP of their associated index on the last Friday of every quarter between 2am and 3am UTC.

If you hold an expiring futures position, you will be credited with USD PNL equal to the expiration price shortly after.

Spot+ vs Perpetual futures

Spot+ are derivative contracts that track the spot price of its underlying. Unlike perpetual futures, their price is not derived from an index.

What's the maximum leverage on BTCC futures?

The maximum leverages varies on different futures on BTCC. For example, the max. leverage for ETH futures is 100X. You can adjust the level of leverage based on your need. For more information, you check the contract details of our [futures guide](#).

BTCC provides comprehensive guides on [crypto futures trading](#). You can search on our [Academy](#) section to learn more.

BTCC has over 10 years of stable and secure operating history with a low investment threshold of 3 USDT, making it a solid option for anyone looking to continue or start their crypto journey. BTCC also launched tokenized futures this year, allowing users to trade stocks and commodities futures with USDT as the margin.

The process of trading futures with BTCC begins with registration and log in. New customers can now sign up [here](#) to get a welcome bonus of 10USDT, and complete the Know Your Customer verification process to access all BTCC's features and [BTCC discount](#). Once verified, you can explore the deposit bonus and start your crypto trading now.

[Sign up for BTCC now and claim special deposit bonus!](#)

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