

# Things to Consider Before Choosing a Forex Broker

The forex market is the largest financial market in the world. Nearly \$7 trillion changes hands per day. Per day! To put that in perspective, the GDP for the United States is around \$23 trillion. So the forex market trades the equivalent of the entire US economy every four days or so. That's incredible.

For retail traders, it can feel pretty overwhelming to jump into a market that size. Large corporations are making billion-dollar trades, and you're going to toss a few thousand dollars into the fray?

It's true, you're not going to move markets, but with a sound strategy and a great forex broker at your side, you might be able to carve out a little piece of that \$7 trillion for yourself.

One of your first steps towards finding success in the forex market is finding that great forex broker. The good news is, you have a lot of options. The bad news is, choosing the wrong forex broker can seriously impede your forex trading ambitions.

Here are some important considerations to keep in mind as you search for your perfect broker.

## Regulation and Reputation

Forex brokers generally fall into two categories: regulated and "unregulated." Regulated brokers are the brokers that adhere to strict guidelines enforced by government agencies like the CFTC (Commodity Futures Trading Commission) in the US or the FCA (Financial Conduct Authority) in the UK. Unregulated brokers, also known as offshore brokers, may

actually be regulated but by financial authorities that have very few rules and even fewer resources to enforce those rules.

Regulated brokers are, of course, a much safer choice. They are subject to a number of rules to make sure they remain solvent, they have to be very transparent with their pricing, and should anything go wrong you can take it up with their regulators.

Unregulated brokers offer some advantages, such as very high leverage and very little, if any, restrictions on trading styles, but they are always a risk. Some are riskier than others, of course, so if you do choose to go the unregulated route, make sure you find one with the best reputation among other traders.

## **Trading Costs and Execution**

Forex brokers make most of their money through either per-trade commissions or spreads. Commissions are very straightforward fees, but they are becoming less and less common as many brokers move toward purely spread-based pricing.

Spreads are a little tougher to calculate than commissions. The spread is the difference between the price at which your broker will sell you a currency pair and the price they pay for that currency pair. The broker pockets the difference, so they're getting their little cut with every transaction. Higher spreads eat into your profit margins.

Most brokers publish their average spreads, but spreads change based on market conditions, so they can be difficult to pin down. Opening a demo account with a forex broker is a good way to monitor real-time spreads on the currency pairs you most frequently trade.

Spreads can take a bite out of your trading profits and so can poor trade execution. Prices can change substantially in the time between when you place an order and when your broker executes that order, even if that lag time is only a matter of milliseconds.

[Good forex brokers](#) execute trades instantly, but slow brokers don't fulfill your order at the price you wanted, which can cost you money. Demo accounts are also a good way to test a broker's execution speed.

## Trading Platform and Tools

Almost all regulated brokers have their own trading platforms, and while all platforms obviously perform similar functions, there's a surprising amount of variance from one platform to the next. It's critical, therefore, that you find the trading platform that best suits your specific needs.

For starters, you have to find the platform that you're comfortable using. Is the trade screen easy to access and use? Is the overall platform visually appealing enough to you that you can stare at it for hours on end? Can you find the charting tools you need and manipulate the charts in a hurry?

Speaking of tools, you want to make sure your broker has all the trading tools you'll need to succeed. If you're a technical trader, you should make sure your platform has all the indicators and charting tools you like to use. If you prefer to trade off of news, make sure your platform has an integrated economic calendar and great analysis.

If you think you'll be doing a lot of trading from outside your office, make sure to also check out your potential broker's mobile trading app. Demo accounts allow you to test out both web-based and mobile trading apps before you make a decision.

# Ease of Sign-Up and Withdrawal

Most traders don't really consider this, particularly when signing up with regulated forex brokers, but signing up with a forex broker can be a bit of a chore. Forex brokers are required to verify their clients' identities, both at sign-up and sometimes again when you request a withdrawal.

This is most often an extremely quick process, but if there's any sort of verification issue, you can be in for a long frustrating ordeal. Delays in sign-ups aren't the end of the world, but if your broker is holding on to your money and you need it for an emergency, that's a huge problem.

Read reviews from other traders to see if your potential broker has a lot of issues with sign-ups or withdrawals, or, you can just sign up. In my experience, if you don't have any issues with your initial sign-up, you will rarely have a problem when it's time to withdraw.

## Customer Service

I can almost guarantee that if your broker has a good reputation when it comes to timely withdrawals, they have a good customer service department. They're the ones that have to figure out any identity verification issues and come up with solutions that appease both the customer and federal regulators.

I also consider how much a broker invests in their customer service department to be an indicator of how much the broker values their traders. Brokers that spend on extremely knowledgeable staff are the ones that want you to succeed.

You can test out a broker's customer service department after you've—say it with me—opened a demo account!

# Conclusion

You may have noticed a theme here—open a demo forex trading account. I can't stress how important that is when you're choosing a forex broker. A demo account gives you a chance to test out all the important variables without putting real money on the line.

Narrow down your list of potential brokers using the above considerations and then try your favorites in real market conditions. After a week or two, you'll know for certain what's the best forex broker for you.



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