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## HOW TO DERIVE MAXIMUM BENEFIT FROM YOUR CFD BROKER?



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## HOW TO DERIVE MAXIMUM BENEFIT FROM YOUR CFD BROKER?

### INTRODUCTION

Choosing a reliable broker is the first step in CFD trading. Unfortunately many first time investors lose money in the CFD business simply due to inappropriate selection of a less than reliable broker, getting misled by creative marketing or sales practices. In this tutorial, we look at the important criteria that should be met by a good institution for it to be the right broker for trading activities, and how an investor should use these services to their maximum benefit. Let's discuss each one by one:

#### 1. FUNDS SECURITY

The first and foremost factor is the security of funds. You have to make sure that the company you choose is not a briefcase broker. Appropriate Registration with regulatory authorities is one of the key requirements that a broker must fulfill. To get registered with a regulatory body, a broker must have an office with qualified staff, and must have a certain capital requirement to ensure that they can execute prompt settlement of traders' claims. There are other regulatory requirements too. The key thing is: using a broker that's operating to standards set by an authority.

In addition to authorization, the broker must also make sure that it keeps clients' funds in segregated accounts and undergo regular internal & external audits. Moreover, clients' funds should be kept completely separate from all business operations other than CFD trading.

The benefit that you derive from such a broker is two-fold and you should use this to the greatest advantage. Such a broker will allow easier management of investment funds in your account, as client funds are held in an appropriately structured, monitored account, thus increasing your investment returns by allowing you to quickly deploy your capital in the markets, through easy and swift deposits and withdrawals. Secondly, an appropriately capitalized broker will be in a better position to offer state-of-the-art products and services, in terms of the products you can trade, trading conditions, high quality research and many other tools of daily use. All these small differences combine to make a significant impact on your overall performance.

#### 2. PLATFORM

Another key factor is the depth of the trading platform offered by your broker. A number of CFD trading platforms exist in the industry. Not all are created equal. Therefore, when choosing a broker to trade with, traders should also consider their trading platform given following criteria:

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Firstly, all of the quotes and information displayed by the software should be extremely up to date, which means the trading platform has to be “low latency”. Especially for CFD investors who speculate on the different between prices in a volatile market, accurate trading quotes which are updated on a real time basis are one of the most important factors to trader effectively. In addition, traders also need to avoid the risk of requites, thus a trading platform should execute deals quickly and reliably.

Secondly, as a trader can use technical or fundamental analysis or both in investment, a useful trading platform should provide advanced charting features such as a full set of technical analysis tools including a wide range of popular indicators, or access to a quality live news feed which updates key fundamental information. However, the platform should have a simple user interface as well to prevent user errors, popularly termed mistakes like “fat finger” trades.

Thirdly, the trading platform has to operate under appropriate Internet security protocols in order to ensure data security. The broker has to make sure that the trading platform will not be taken down during market trading hours.

Another consideration is the mobility of platform. Your broker should ideally provide web-based platform so that a trader can access his/her account from anywhere, at any time. Similarly, a mobile app should also be offered by a broker so that clients can initiate or monitor trades on the go.

The benefits to an investor of the above features are simple. A platform with depth in terms of coverage across asset types and CFD types enables an investor to obtain the most out of their broker’s offering, by optimizing their choice of investment based on the asset, market conditions, and continuous access to the account and the markets ensures that investors can always spot and capitalize on opportunities in the short, medium or long term.

### 3. TRADING CONDITIONS

Trading conditions include a number of factors such as the assets available for trading, trade execution, accurate pricing, third party benchmark prices and a visible database of past expiries. Your broker should ideally offer assets traded on various exchanges with a wide geographical spread.

For instance, a trader living in the Middle East will be more familiar with assets listed on an exchange like the Tadawul. Mostly CFD traders have a background of forex trading, so availability of currencies, commodities, bonds and indices is also important.

Good instrument coverage across geographies, along with tight trading conditions allow an investor to derive the maximum possible benefit from the markets using accurate entry and exit points, getting an opportunity to trade in markets one is familiar with, as well as the ability to evaluate the suitability of any trading methodology by back-testing it against the database of previous expiries.

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#### 4. FUNDING AND WITHDRAWAL FLEXIBILITY

Your broker should be able to process funding and withdrawal requests within a reasonable time. Good brokers normally process withdrawal requests within 24-48 hours. Moreover, your CFD broker should also offer a wide array of options for traders to fund their accounts and withdraw profits.

The ability to move funds into and out of your account promptly allows an investor to take advantage of opportunities that arise in the markets swiftly. Further, it adds to an investor's performance by ensuring that any excess funds are removed from the trading account so that the potential for emotional over-trading, or indiscipline is removed. This allows efficient capital and risk management, which goes a long way in improving an investors experience and performance in the market.

#### 5. CUSTOMER SUPPORT

Last but not the least; the broker should offer 24/5 support for technical difficulties or general queries. The broker should have a team of professional support managers capable of resolving client issues, at the earliest.

#### CONCLUSION

This was a brief summary of various features and services, your broker should offer, and how you should be benefitting from them. There are some other features as well such as rate of return on investments, promotions, rebates etc. that can be considered. But they are of secondary importance, and we shall consider them in detail in the future.

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