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How to Choose a Reliable Forex Broker

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Picking your forex broker isn't a simple process, and a lot of the decision-making is personal. It will depend on your strategy, on your choice of currency pairs, and on the amount you wish to invest in the platform. When you're weighing up your options, reliability should come to the fore, but what does a reliable forex broker look like?

You should be looking for a broker that is backed by regulatory agencies, has favourable spreads for your strategy, and has positive reviews from other traders who have used the platform before. Without doing your due diligence, you could be caught out by a broker engaging in inappropriate activities, which could affect your success in forex trading.

A regulated broker is a reliable broker

The first point on your checklist should be to assess whether your shortlisted platforms are regulated. Most forex brokers are affiliated with a large bank or lending institution because of the large amounts of capital required to operate and the leverage they offer traders.

You must ensure your investment is protected by the broker. This not only reduces the risk you're taking with your money but also offers you the security that your money is protected by a reputable platform.

A sensible approach would be to decide which currency pairs you are most likely to focus on trading, and then check that the financial authorities that protect the currency you are trading have registered your forex broker with their relevant regulatory agency. This way, you can be confident in your transactions being as secure as possible.

Take a free trial to test the built-in tools

A reliable forex broker is one that gives you all the tools to succeed. Of course, they can't control the markets or advise you on your trades directly, but what they can provide their customers with is a variety of handy tools that can influence the way you trade. You can usually discover these by taking a free trial, where you don't invest any money, but you can make paper trades to understand how the platform works and what insights you get from the broker.

Top-rated brokers will provide analytical tools and charts to show the latest trends in currency pairs, allowing you to quickly focus on the ones that align with your strategy and understand how the market is sitting. You are often also provided with real-time news and up-to-the-second data as

to what is **influencing the currency market** and what trends might be expected.

This all ties in with an economic calendar, which you should be using as your number one reference point to understand when and why the market in your chosen currency pairs would be expected to move. Whilst you can do some of this work for yourself, the most reliable forex brokers make it all available to use, built into their apps and web platforms.

The lower the spread, the better it is for your investment

The best and most reliable forex brokers offer competitive spreads on the most popular currency pairs. FX brokers don't charge commission on each trade you make; instead, the platform makes its money based on the spread, which is the difference between the price at which a currency can be purchased and at which it can be sold, at any point in time. Spreads differ from broker to broker, and they can also be wildly different across the range of currency pairs offered.

Before you choose the platform in which to place your investment to begin forex trading, make sure you compare the spread prices across your shortlisted platforms for your top currency pairs, as this can make a huge difference to the amount of profit you're able to make on your investment. A lower spread means less cost to you in trading your currency and a more reliable forex broker to invest in.

A reliable forex broker provides competitive leverage options

When it comes to giving your investment the most flexibility, you should also be considering the leverage offered to you by your shortlisted brokers. In the simplest terms, because the financial markets move in such small increments, forex brokers provide a ratio between the total capital made available to you and the actual capital you invest. Effectively, a forex broker lends you money to trade with to make a profit of more than just a few cents per transaction.

You can earn a significantly larger profit with more leverage, but this also leaves you open to much bigger losses too. Usually, reliable brokers offer leverage of 250:1, in which you are lent \$250 for every \$1 you invest with the broker into forex trading. The amount of leverage you are offered by the platform depends on how much you commit in equity. Some brokers offer extremely competitive leverage for those who are able to invest well with them. **Exness broker** is one such example, as they offer a maximum leverage of 2000:1, available by default, for those investing up to \$30,000 (USD) on the platform.

Read first-person reviews to avoid broker red flags

The final aspect of due diligence that you should do before committing to a forex broker is reading first-person reviews from other traders who have experience on each platform. This is the only way to discover if brokers are using inappropriate tactics to suppress the potential success of their customers, as there is currently no organisation that reports upon such activity by brokers, nor is there a blacklist of poor-reputation brokers either.

In order to avoid brokers who engage in such activities, you should be looking at reviews of each platform closely for any reports of sniping and hunting. This is where a broker sells or buys your currency trade earlier than your pre-agreed positions when you made your initial trade.

Put your strategy above a broker's profits

Sniping and hunting activities increase the profits the platform makes, and it doesn't respect your strategy and your entry/exit points that you put into your **stop-loss orders**, even if you have the required equity to cope with an unexpected drop. Some brokers will choose to liquidate your position on a marginal call at the low end of your stop-loss position, even if it was a sudden drop, which could then rebound to a historically high position.

The only way to ensure that you are selecting a broker that does not engage in activities such as these, affecting your capital, is to read the first-hand reviews from other investors. Reading the reviews will give you the confidence that you can operate your strategy as you wish, and not as the broker wishes, ensuring that you have chosen a reliable forex broker for your investment.

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