



Tough Questions for Forex Brokers

Understand your broker's spreads policy and business model before you send them your money. Ask these tough questions—and consider the answers carefully—to know if the broker you are considering is the right one for you. (OANDA's response is provided.)

1. How often are advertised spreads available?

(You can only confirm your broker's spreads if they are published in real time.)

Some brokers publish “as low as” or “typical” spreads without revealing when or for how long these spreads are on offer. You may never get these spreads when you trade.

If your broker advertises spreads “as low as” 0.9 pips on EUR/USD, you need to know what “as low as” means. Do special conditions apply? Can you see a record of recent spreads to confirm their spreads are what they advertise and if they apply to you?

You need to see the typical spreads for all currency pairs your broker offers—not just for the more popular major pairs. If you want to trade the less popular currencies, you shouldn't have to pay extra in the form of wider spreads just to subsidize the lower spreads for the advertised currency pairs. “Loss-leader” pricing has no place in forex markets.



OANDA is committed to offering the lowest spreads available

To be absolutely open and clear about your trading costs, we publish our [real-time tradable spreads](#) for all traded currency pairs online, for everyone to see. We also publish a weekly record of the [previous seven days](#) worth of spreads so everyone can audit our historical spread data. Our trading platform refreshes rate and spread data tick by tick, so you can see fluctuations in real time and adapt your strategy to fit market conditions.

2. Do special conditions or restrictions apply?

(Spreads should never vary according to ticket size or other conditions.)

All too often, brokers will advertise tight spreads that, in truth, apply only to a narrow range of ticket sizes or a small group of privileged customers. These “special” spreads are reserved exclusively for those traders who meet restrictions based on deposit size, trade volume, region, or lot size.

For example, many brokers impose a minimum account opening balance or require a minimum trade size before you can access their tightest spreads. (Brokers can be equally reluctant to offer their best spreads for larger ticket sizes.) The only way to truly test quality of execution is to try the real thing, so such restrictions may make it prohibitively expensive to test their platforms.



OANDA Spreads™ are not negotiable

We give all traders the same spreads, without restriction. There are no minimum balance requirements, and our spreads are the same whether the ticket size is \$1.00 or \$10 million—or anything in between.

Make your trades as granular or fragmented as you need. Pursue trading or hedging strategies without worrying about lot sizes or minimum account deposits.

3. Are there extra fees in addition to the spread?

(Read the fine print to make sure you know what you're paying for.)

Some brokers may offer tight spreads but make their profit in other ways. For example, they may charge extra fees or commissions for the privilege of accessing their “professional” trading platforms. Or they may charge monthly fees you can avoid only if you keep a minimum deposit or meet a minimum trading volume every month. Or they may widen your spread to pay Introducing Brokers or other middlemen.



At OANDA, our spreads are your full cost of trading with us

The only cost to trade at OANDA is the spread. There are no extra fees, no commissions, and no middlemen, and we strive to offer the lowest spreads possible. We do not base our pricing on your trading activity—or lack of it.

4. Do all clients get the same spreads?

(The rebates and volume discounts some brokers offer to preferred clients could be priced into your spread.)

Every forex dealer claims to have the industry's tightest spreads. But not every trader gets the same spreads touted by dealers who tailor their fees and spreads based on customer trading patterns, account balance, trading volume, or third-party introductions. Larger and better-connected traders and financial organizations may receive "preferred" treatment and "discounts" that you never even hear about, never mind get offered.

Guess who pays for all these discounts and preferential treatment? You do, through higher costs and wider spreads. Not knowing the category you're stuck in means you never truly know your trading costs.



OANDA does not discriminate among our clients

We do not offer any form of rebate or volume discount. Instead, we work on reducing spreads to be as tight as possible—for everyone. All clients trading at the same time get the same spread. Period. OANDA's fair pricing policy gives you tight spreads with no strings attached.

5. Does anyone other than the firm itself get paid as a result of my trading activity?

(Some brokers inflate spreads to cover the cost of middlemen who bring in clients.)

Forex brokers frequently agree to pay third parties—sales agents or introducing brokers (IBs)—a portion of the spread on your trading activity. If the broker argues that their introducing brokers are not getting a portion of the spread, don't be fooled: ask instead if the introducing broker is being paid in direct proportion to your trading activity. If the firm is paying their IBs and sales agents in proportion to the firm's profit on your trades, chances are your trading activity is being singled out for individual treatment and you deserve to know how your account is handled differently from others.

There is nothing inherently wrong with the practice of rewarding third parties a portion of your spread, but you should be told about it. Only then can you decide if the introducing broker is providing enough added value for the amount you are (indirectly) paying through a higher spread. And you should ask if you could get better spreads if you cut out your middleman.



OANDA does not believe in using middlemen

We do not use introducing brokers or sales agents, nor do we pay any third parties as a result of your trading activity. Our spreads are already very tight, so there is simply no room to give anyone a piece of your spread.

6. Do I have unlimited access to a live demo platform?

(A live demo platform is crucial to understanding a broker's trading system.)

A demo platform can be useful to observe how prices and spreads vary under different market conditions. And it can give you an idea of how good your broker's quality of execution is—but only if the demo platform behaves exactly the same as the real thing. Ask how the broker's demo platform differs from their real platform in terms of execution and spreads.

To test new trading strategies over time, you should have unlimited access to a demo platform. Does your demo account expire, or can you use it to practice indefinitely? And ask about their sales policies—opening a demo platform with them may be the excuse they need to blanket you with spam and phone calls.



OANDA's free, no-hassle demo platform never expires

OANDA fxTrade Practice is one of the few forex demo platforms you can use for as long as you like. And opening our demo account will not result in sales calls.

OANDA fxTrade Practice is designed to behave the same as our fxTrade platform—interface, rates, and spreads are identical. Note that due to greater client loads, execution and connectivity times may be slightly different.

7. How are interest charges and payments calculated?

(Ask about current interest rates—including interest paid on your account balance.)

In the forex trading industry, standard practice for interest calculations on funds being traded is the rollover swap with two-day settlements. This means that you pay (or receive) interest based on the open trades you hold at 5 p.m. EST.

Experienced intraday traders may be used to timing their trades around the rollover swap, but consider how it may impede your freedom to keep trades open. Ideally, you should receive (or pay) interest based on the length of time you hold open trades—not based on the time of day you hold them.

Further, do you know how much carry interest you are being paid or charged? What are the interest rates, and are they competitive? Ask to see interest rates for all currencies— and don't forget to enquire if interest is paid on your account balance.



OANDA charges, and pays, competitive interest

OANDA [posts its interest rates](#) and calculates interest for all open trades and account balances—continuously, by the second, over the entire 24-hour day. You always know your true carry costs and never have to time your trades around rollover swaps. You receive interest on your entire account balance (regardless of account size).

8. For fixed spreads, what are the benefits?

(Fixed spreads are like paying an insurance premium. Make sure you're rewarded for the extra expense.)

In forex, exchange rates and spreads change with every market tick. If you choose a broker that offers trading at fixed rates, you are likely paying higher spreads than you would under a variable system. Is it worth it? That depends on your trading needs. With fixed spreads, you are in effect paying an “insurance premium”—so you can trade around news events or at other times when the markets tend to be more volatile and spreads widen.

But if you do profit from market events, will your broker honor your “insurance policy,” or find exceptions? Make sure you read the fine print. Are there restrictions on trading or entering orders around news announcements? (If so, you are paying insurance for nothing.) Are all restrictions or conditions clearly and precisely spelled out? Ask when they last added exceptions to their policy so you can gauge how frequently they may change the rules.

Actual execution of your orders is also an important part of your trading strategy. What is the broker's policy regarding requotes, partial fills, or outright rejections of your orders? Make sure your broker has the liquidity and quality of execution to ensure you are getting the spread you think you're getting.



OANDA's tight variable spreads trump the extra cost of fixed spreads

OANDA does not offer fixed spreads—only real-time variable spreads that we strive to make as tight as possible. There are no restrictions on when you can trade, but spreads do reflect the forex market and widen dynamically during times when liquidity is scarce, such as during news announcements or off-market hours like weekends and holidays.

9. Do I have open, uncensored access to information?

(If your broker is vague about pricing, what else are they hiding?)

Many banks and forex brokers don't like to share their data and intentionally hide the very information you need to make your best trading decisions. This tendency starts with a reluctance to provide open, unfettered access to spreads and pricing information. These same organizations rarely share their customer feedback, leaving you to wade through external forums where you never really know whose agenda is whose.

Aggregated customer trading data can help you judge current market sentiment. Again, for many brokers, data on client positions and pending orders is either not available (better for them to set their own market), or shared only with a select few. This costs you money because it denies you opportunities to improve your trading.



At OANDA, our aim is to give you the information you need to make smarter trades.

We work to eliminate hidden processes in pricing and execution. We [post our spreads](#) and provide [open trader forums](#) where you can read every compliment and complaint ever posted by our clients.

So you can assess the true market sentiment before you short or long a currency, we share [live aggregated market data](#) from our entire client base to show current snapshots of pending orders and open positions for the major currency pairs.

Trading off-exchange foreign exchange on margin carries a high level of risk and is not suitable for all investors. Trading through an online platform carries additional risks. Please refer to our more detailed [Risk Warning](#), and NFA's [FOREX INVESTOR ALERT](#).