BROKER VS YOUR CAPITAL

BY JUSTIN HARRISON

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As my capital base has grown, I have faced the inevitable "What if the broker goes down or denies my withdrawals" - this forced me to ask HARD questions about where and how my money travels to the market, and more importantly how I can secure capital guarantees, especially in the case where I am compounding capital aggressively in my trading accounts for long periods of time.

How do I make sure my money is safe and how do I secure the best relationship with the market for my money and the trades.

I will spare you the hundreds of hours I have personally invested and agonised over this point, and give you the summary - it's a fucking pleasure :)

May you all be fortunate enough to face the same problems I have!

And never forget you won't see a single Instagram / Tiktok trader talking about this - BECAUSE THEY ARE TALKING SHIT ABOUT MAKING BIG MONEY, they are stuck with retail traders because they are NOT trading BIG money!

You're fucking welcome 😂

So let's cut through the bullshit…

Many retail traders assume that A-Book brokers (those claiming to send trades directly to the interbank market) provide true direct market access (DMA) with no dealing desk intervention.

However, in reality, all retail brokers, whether A-Book or B-Book, ultimately route trades through a market maker. Here's why:

Retail Brokers Do Not Have Direct Access to the Interbank Market:

- The true interbank forex market is an exclusive tiered liquidity structure, where only major banks, hedge funds, and prime brokers participate.
- Retail brokers must connect to liquidity providers (LPs) or market makers because they lack the capital and infrastructure to act as direct counterparties.
- Even "A-Book" brokers are not dealing directly with the interbank market but rather aggregating liquidity from market makers (Tier 2 or Tier 3 LPs).
- Even ECN/STP brokers rely on liquidity providers who act as market makers at some level in the trade journey to the market.

How "A-Book" Brokers Actually Work:

- A-Book brokers claim to send orders directly to the market via STP (Straight-Through Processing) or ECN (Electronic Communication Network).
- However, they route trades to liquidity providers, who are usually prime brokers or institutional market makers, not the true interbank market.
- These liquidity providers act as market makers by quoting bid/ask prices and filling orders internally when possible.

Even A-Book brokers are intermediaries who pass trades through a market-making entity.

How "B-Book" Brokers Work: (Pure Market Making)

- B-Book brokers do not hedge client trades externally; they take the opposite side of retail traders' positions.
- They profit when traders lose and may use algorithms to manage risk.
- Since retail traders tend to lose over time, this model is highly profitable for brokers.

B-Book brokers are pure market makers and operate as counterparties to their clients.

IMPORTANT NOTES ABOUT RETAIL BROKERS:

- Most if not all retail brokers are A-Booking and “B-Booking” trades depending on risk.
- If you are a profitable trader you are most likely to get A-booked so the broker reduces risk in their internal B-book liquidity pool.
- If you are an unprofitable trader you are most likely to get B booked, so when you lose, your loss is 100% to the broker's internal liquidity pool.
- Even if a broker claims to have “deep liquidity,” they are still routing trades through a network of market makers.
- Market Makers Are Needed for Order Matching & Liquidity.
- Forex is a decentralized market with no central exchange—so market makers stabilize liquidity.
- Without market makers, spreads would widen drastically, and execution speed would slow down.
- Liquidity feeds come from banks, hedge funds, and HFT firms—all of which act as market makers.

Retail brokers cannot legally or technically provide pure DMA to retail traders—they must use intermediaries

Final Verdict: Retail Traders Always Trade Against a Market Maker

✅ A-Book brokers route trades to external market makers (liquidity providers).
✅ B-Book brokers act as internal market makers.
✅ Even ECN/STP models rely on liquidity providers who are market makers.
✅ Retail traders never truly access the interbank market.
✅ Only Tier 1 banks and institutions do have direct access to the interbank market.

🔹 Conclusion: Whether you trade with an A-Book or B-Book retail broker, your trades are ultimately executed through a market maker.

Now before I give you the solution for when you start trading bigger capital, I want to remind you my work is covered by a copyright and I am very serious about protecting my intellectual capital. If you want to sound smart telling people what you have learnt from me, make sure you quote me and credit me for this knowledge - yes I know that sounds conceited of me, BUT I DID THE FUCKING WORK!

Here are the solutions - summarised.

Trading Equity over $500,000 USD

* Use prime of Prime Brokers (POP)
* Lower spreads, deeper liquidity, and access to raw interbank pricing.
* Deposit requirements ($500K+)
* No broker markups—pure supply & demand pricing
* Trading Platforms: cTrader, Proprietary Platforms (No MetaTrader)

Broker List: Saxo Bank, Goldman Sachs, J.P. Morgan, Morgan Stanley, Citigroup,

Trading Equity over $250,000 USD

* Use Direct Market Access (DMA) or ECN Accounts
* No dealing desk interference, raw spreads, and faster execution
* Deposit requirements ($250K+)
* Only offers raw spreads
* No broker markups—pure supply & demand pricing
* Trading Platforms: Trader Workstation, cTrader

Broker List: IG Group, FP Markets, Interactive Brokers, Instinet

Trading Equity $100,000 USD

* Use a regulated Exchange (CME, ICE, EBS) for spot trading
* Deposit requirements ($50K - 100K+)
* Traders interact directly with liquidity providers
* No broker markups—pure supply & demand pricing
* Trading Platforms: cTrader, MetaTrader

Broker List: Pepperstone, Forex.com, CQG, TradeStation