

Voting for the Shares Awards begins soon and here, in part four of a lead-up series on financial providers, we ask

# What makes a good... forex broker?



Alex Poole

**D**o you count your profits in pips? Perhaps you are bullish on rupiah and like to pour over swap rates trading 'cable' and 'gopher'? If this all sounds alarmingly familiar, then you are clearly a forex trader.

Whatever you think of their slang, spare a thought for the brave souls who venture into this exciting but visceral arena – the forex market is worth around \$3 trillion daily, open 24 hours a day (except weekends), moves lightning fast and offers traders muscular leverage with unrivalled liquidity.

Faced with this kind of challenge in the market, the last thing traders would want to worry about is a bad broker experience or their ability to execute trades. So what exactly should forex traders be

demanding from their providers? Reliability and speed of execution suggest themselves immediately, then there is support, a facility for 24-hour trading and easy access to news, research and technical tools.

An element of control and customisation is also crucial, as this will help people apply their specific plans – after all, in such a vast and open market there are as many strategies as there are traders. 'Many of our statistical tools are customisable to the individual needs of traders,' says Marilyn McDonald, marketing director at Interbank FX, which scooped last year's Shares award for Best Foreign Exchange Broker. 'If you are trading regularly, it is important you can adapt any tools you are using to meet your specific needs.'

'Service is also paramount when it comes to being a good forex broker,' says McDonald. 'Our founder set up Interbank as he could not find a broker he liked, so our ethos has always been one of service. We have a broker for every customer, and even measure our customers' profitability to help us focus on their goals.'

## Tale of the tape

Kathy Lien, chief strategist at DailyFx.com, identifies five factors she thinks are important when it comes to selecting a forex broker, beginning with regulation – however strange it may seem to hear a provider welcome red tape. 'The more regulation the better,' argues Lien, 'as this protects the customer'. Secondly, says Lien, a broker

should be well-capitalised: 'The sheer size of trades involved in forex means if the market moves against your broker, you will want to know your positions are secure.'

After these basic points of 'due diligence', Lien homes in on the need for speedy and reliable execution. 'This is extremely important,' she counsels. 'You should expect well-priced spreads, but the timing is also crucial. When big events hit and the market moves fast, some trading systems can go dark.' Lien also agrees with McDonald about the need for customised support. 'Customer support is crucial,' she says, 'and it should be in your language and personal to you.'

Finally, she explains, 'a good broker will offer trading tools.' (While not exhaustive, any list of useful tools for forex traders is likely to include currency prices and rates, calculators, forecasts, a research database, streaming news and/or alerts, charts and other analytical tools).

Alain Broyon, CEO of Dukascopy – SWFX Swiss FX Marketplace, is clear execution is key for anyone trading the forex markets: 'Clients are looking for liquidity from a broker, as well as transparency and execution,' says Broyon, 'and we offer that through the SWFX,

which is unique.

'Of course, speed and reliability are important, but a key part of execution is the price. Forex clients are very sophisticated traders – they may frequently trade intra-day, for example, and may therefore be more sensitive to price execution than other traders.'

Broyon also says an element of choice is important for forex traders: 'Clients are always looking for options when it comes to funding their accounts,' he says.

## Counting the cost

Of course, not all investors interested in foreign exchange want to trade forex on margin – many are looking for currency exchange facilities instead, as Chris Saint, currency analyst at Hargreaves Lansdown, explains: 'While we do offer leveraged products such as spread betting and CFDs, our customers tend to deal mainly with the transfer and exchange of money.'

For many customers, what makes a



good broker is a provider that offers the best exchange rate and the lowest cost. Customers may be transferring large amounts of money for high-value items such as a car or house, and naturally want to keep any additional costs to a minimum. As the amounts can be quite large, they are also looking for reliability and safety from a broker.'

## Shopping list

All things considered, it seems a good broker is one that responds to the needs of your individual trading

plan or currency exchange needs in terms of service, tools and execution. So start with a clear picture of your requirements, shop around, and be sure to try any available demos as a taster of the service you can expect. You are bound to come up with quite a shopping list given the complexities of the forex market but, with the breadth and depth of services on offer, you should be able to bag one that suits