



INTRODUCTION — TO — PROP TRADING



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INTRODUCTION

Prop trading is a trading model that inspires fascination among both experienced traders and those just starting out in the financial markets. The purpose of this ebook is to provide a detailed and technical introduction to the world of prop trading. We will focus on the practical aspects of how this trading model works and discuss how prop trading companies operate, what expectations they have of their traders, and what are the criteria for success in this challenging field.

For those who are ready to delve into the technical aspects of prop trading, this ebook is a compendium of essential knowledge. With this introduction, you will be better prepared for the challenges of trading in a prop trading firm, and understand what skills and tools are key to success in this field.

INTRODUCTION TO PROP TRADING

WHAT IS PROP TRADING?

Prop Trading, or proprietary trading, is a trading model in which traders trade in the simulated accounts of a Prop Trading company, instead of using their own funds. In exchange for access to this capital, the company shares the profits generated by the traders. This arrangement is particularly beneficial for those who have trading skills, but do not have enough capital to trade on a large scale. With Prop Trading, traders can execute their strategies in much larger markets, maximizing potential profits without the risk of losing their own savings.

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HOW DOES PROP TRADING WORK?

Prop trading works by evaluating and rewarding a trader's skills. The process begins by joining a so-called challenge, which is a test of your trading abilities. During this challenge, the prop trading company monitors your performance, checking how you handle risk management, decision-making and profit generation.

If you successfully pass the challenge, the company provides you with a simulated account. Initially, this may be a smaller amount, but as you become more successful, you may be given access to more and more funds. Depending on your performance, you can manage accounts ranging from a few thousand to even millions of euros, giving you the opportunity to operate on a much larger scale than when trading with your own funds. This process, while simple, requires you to have a great deal of discipline and solid skills to effectively manage the capital entrusted to you.

BUSINESS MODEL OF PROP TRADING COMPANIES

A trader is a person who has the ability to trade in financial markets, but has limited capital and wants to access more money. To achieve this, a trader chooses to buy a challenge offered by a prop trading company, tailored to his or her abilities and goals.

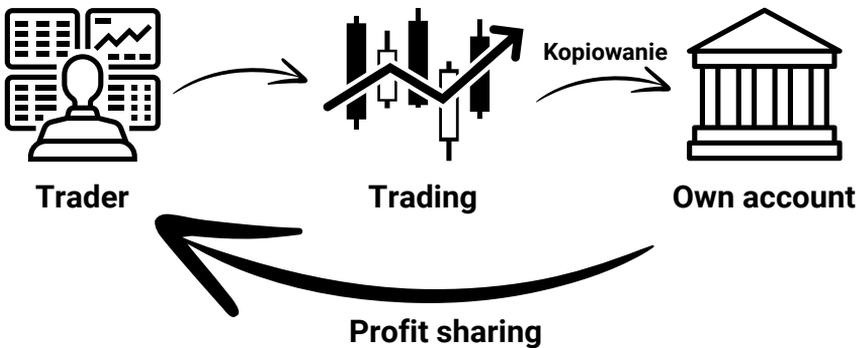
As part of the challenge, the trader is subject to an evaluation that includes several key criteria:

- **Meeting the profit target** - a specified amount of profit that the trader must achieve to pass the challenge.
- **Risk management** - verification that the trader adheres to the set loss limits.
- **Number of profitable days** - analyzing the stability of performance by monitoring days that ended with a profit.

Successfully meeting these requirements opens the door for the trader to manage more capital made available by the company.



If you successfully pass the challenge, you become a Prop Trader. Your task is to trade on a simulated account, the results of which are monitored. The Prop Trading Company copies your trades to your real account, and you divide the profits you make according to predetermined proportions. In this way, you can earn without investing your own capital, concentrating on executing your trading strategies.



WHY SHOULD YOU CONSIDER PROP TRADING?

Prop trading offers a number of benefits that go beyond what is available to individual investors. Here are the main advantages of this model:

- **Access to more capital** - One of the greatest benefits of prop trading is the ability to trade amounts that are usually beyond the reach of an individual trader. Prop trading companies make significant funds available to their traders, often many times more than what we could accumulate on our own. This gives you the chance to make greater profits by operating in larger positions than would be possible with limited personal capital.

- **Minimal own risk** - Unlike traditional investing, where you risk your own savings, in prop trading your own risk is minimized. As a prop trader, you only risk a fee for joining a challenge or test program that evaluates your skills. The prop trading company bears all losses you generate in your trading account. If you fail to achieve the required results, you only lose this fee, not your own capital. This is a model that greatly reduces the psychological burden of potential losses.
- **Flexibility** - Prop trading offers unprecedented flexibility in terms of time and place management. Thanks to advances in technology and global financial markets, you can trade from anywhere in the world, at any time of day. This style of work is particularly attractive to those who value freedom and independence, allowing you to adapt trading to your own rhythm of life, without the rigid adherence to working hours typical of local markets.
- **Education and support** - Many novice traders also appreciate the support that prop trading companies offer. Typically, training programs, courses, and mentoring from more experienced traders are available. This type of education is crucial, as prop trading requires solid knowledge and skills. The support you receive can include not only technical aspects, but also psychological aspects, which is extremely important in managing stress and making decisions under pressure.

PROCESS OF BECOMING A PROP TRADER

WHAT CHALLENGES DO PROP TRADING COMPANIES OFFER?

Prop trading companies offer a variety of challenges that are tailored to different levels of trader experience. These challenges can be one- or two-step or immediately funded and vary in profit and risk requirements.

One-step challenges are dedicated to traders who want to pass the evaluation process quickly and prove their trading skills in a short period of time.

Advantages:

- Faster evaluation process compared to two-stage challenges.
- Lower time requirements - you only need to prove your skills in one stage.

Disadvantages:

- Usually a larger entry fee compared to two-stage challenges.
- Less tolerance for errors

2-step challenges are the most common option among prop traders. They consist of two phases of evaluation, which allow the Prop Trading Company to more thoroughly test a trader's skills.

Advantages:

- The trader has more time to adapt to the platform's rules and demonstrate his skills.
- Less risk because the second phase of evaluation is easier than the first.

Disadvantages:

- The process is longer than for one-step challenges.
- More discipline and patience required.

Instant funded accounts are a solution for experienced traders who want to start trading on a simulated account right away, without having to go through the evaluation process.

Advantages:

- Immediate access to capital in a simulated account.
- No pressure to meet the profit goal in the challenge.

Disadvantages:

- No refund of the initial fee.
- Strict risk rules

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HOW TO BECOME A PROP TRADER - THE COMPLETE PROCESS

Step 1: Registration

The first step is to create an account on the prop trading platform. The registration process includes:

- Providing basic data (name, surname, e-mail, password).
- Email Address Confirmation.
- Completion of user profile.

Step 2: Account selection

- Choose the account in which you want to pass the challenge. You can opt for accounts with different values - from a few thousand to several hundred thousand euros.

Step 3: Choose a challenge or immediately funded account

You have two options:

- **Challenge:** A popular option in which you have to go through a process of evaluating your trading skills by meeting certain criteria, such as making the minimum profit in a given time while maintaining the maximum drawdown.
- **Instantly Funded Account:** Does not require going through a challenge. You can trade immediately in a simulated account, but this option usually comes with a higher initial fee.

Step 4: Evaluation

If you chose the option with a challenge, you must meet certain criteria:

- Achieving a minimum profit.
- Adherence to the principles of maximum drawdown.
- Trade for a minimum number of days, allowing you to evaluate your strategy and style.

After successfully completing the challenge, you move on to the next phase.

Step 6: Refund

If you successfully complete the challenge, the initial fee for the challenge is refunded.

Step 7: KYC

The KYC (Know Your Customer) process is mandatory. It requires verification of your identity by submitting documents such as:

- ID card or passport.
- Confirmation of residential address (e.g., utility bill).

This process ensures compliance with international anti-money laundering regulations.

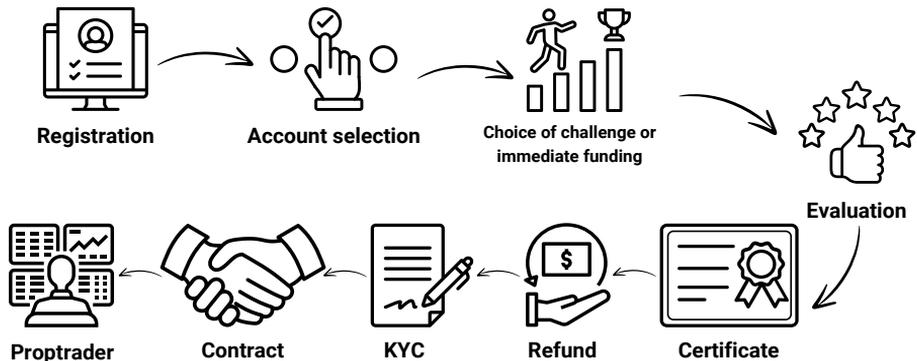
Step 8: Contract

After passing KYC and accepting the terms, you sign a cooperation agreement. The document includes:

- Details of profit sharing.
- Regulations for the use of capital.
- Risk and payout rules.

Step 9: Prop Trader

Once you sign the contract, you officially become a Prop Trader! You get access to a simulated account and can start trading on the markets.



SETTLEMENT AND TAXES IN PROP TRADING

Once the profit has been paid out via bank transfer or cryptocurrencies, the responsibility for settling the settlement of taxes rests solely with the trader. Prop Trading companies do not pay taxes on your behalf, so you are the one who must keep records of transactions, monitor profits and losses, and calculate the tax due according to local regulations. Working with an accountant can help you avoid mistakes and optimize your billing.

SUCCESS STORIES IN PROP TRADING

Adrian Kowalczyk - €500 for one “Sweet Pepper”

Adrian Kowalczyk, a SpiceProp trader, gained €500 on one unique trade he called “Sweet Pepper.” His story shows how a strategic approach and analysis can produce quick and measurable results in prop trading.



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Riadh Mazgou - Profit of €7,000 on simulated account

Riadh Mazgou, prop trader at SpiceProp, has made an impressive profit of more than €7,000 in his funded account. With his strategy and consistent risk management, Riadh has proven that a professional approach to trading brings tangible results.

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Marcel Surd - €8,937 in two weeks

Marcel Surd, a SpiceProp trader, generated a profit of €8,937 in his funded account in just two weeks. His success was due to precise trading and effective risk management, which makes him an inspiration to other prop traders.



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ENDING

Congratulations! You have completed a journey through the foundations of prop trading and gained solid knowledge that will help you take your first steps in this fascinating field. We hope that the information contained in this ebook has not only broadened your horizons, but also given you practical tools to build your career as a trader.

To support you on your path, we have a special offer for you. **With the discount code below, you can get a 15% discount on the purchase of any prop trading account at SpiceProp.**

Code:

EBOOK

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