Your broker is not the market

> **RETAIL FX BROKER**
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> A retail FX broker is not the market: it is your access to it, and your legal counterparty. It assembles prices from bank and dealer feeds, adds its margin as spread or commission, and quotes you. Your trade settles with the broker - often netted against other clients rather than passed on - which is why quotes, spreads and fills differ from broker to broker.

The last lesson ended with a network and you at its edge. The thing standing between you and everything else is your broker, and the single most useful fact about it is the one in this title. When you buy EUR/USD on a retail platform, you have not bought euros from the interbank market. You have opened a position with your broker.

What does a broker actually do?

Three things. It takes price feeds from banks and dealing firms and assembles them into the quote on your screen. It adds its margin, as spread, commission or both. And it becomes your counterparty: your position exists on its books, against its prices. Many client trades never travel further - a broker with one client buying and another selling can net the two internally, and hedge only its remaining exposure upstream. That is ordinary market structure, not a trick: it is how a £0.10-per-pip position can exist in a market that deals in millions.

The consequence runs through everything you see. The chart on your platform draws your broker's quotes, so it differs slightly from every other broker's chart. Your stop triggers at your broker's price. And the cost of access is set per broker, which the worked example turns into money.

Worked example - figures in USD

You trade 0.5 lots of EUR/USD, 20 times a month, on a broker quoting a 0.8 pip spread. A pip on a full lot is worth $10.

1. Your broker quotes EUR/USD at a 0.8 pips spread. On your 0.5 lots lot size that is $4 per trade - the broker's price for standing between you and the network.
2. At 20 trades a month, spread alone comes to $80 - a bill that arrives whatever the trades themselves did.
3. A second broker quotes the same pair at 1.4 pips: $7 per trade. Neither number is the market's - each is one broker's price for access to it.
4. The comparison cuts both ways: a tighter spread can sit beside a commission or wider overnight costs. Pricing a broker means pricing the whole structure, which is what the fees comparison tool below does.

Is being your counterparty a problem?

It is a structure to understand, not a scandal to fear. A broker quoting prices that drift from the wider market loses clients to one whose prices track it - competition polices the quotes far more cheaply than suspicion does. What the structure does mean: your fills, your stops and your costs are set at your broker's prices, so the broker you choose is a real trading decision. Choosing one is a costs question, and costs get a whole module.

What this means for you

Read every number on your platform as your broker's number: the chart, the spread, the price your stop fired at. When your fill differs from another trader's screenshot, you are looking at two brokers, not a mistake. Compare brokers on the whole cost structure rather than the headline spread. And keep the two ideas separate from here on - the market is the network from last lesson; the broker is your door into it.

Try it yourself with the fees-comparison calculator: https://ticksprout.com/tools/fees-comparison

Check your understanding

1. You buy EUR/USD on a retail platform. Who is on the other side of your position?

a. Your broker - the position exists on its books, at its prices
b. A bank in the interbank market
c. Another retail trader matched with you
d. The exchange's clearing house

Answer: a. The broker is your legal counterparty. It may net your trade against other clients or hedge upstream with a bank, but your position is with the broker either way. No mechanism matches you directly with another trader, and spot FX has no exchange clearing house.

2. Your platform's EUR/USD chart differs slightly from a friend's on another platform. Why?

a. Each chart draws its own broker's assembled quotes
b. One of the platforms has a data error
c. Your friend has a premium data feed of the real prices
d. The two platforms update at different speeds only

Answer: a. Every broker assembles its own quote stream from its own feeds, so every broker's chart is slightly its own. No single real price exists to subscribe to. Update speed can add differences, but the quotes themselves differ even in perfect sync.

3. A broker fills one client buying EUR/USD and another selling it internally, without passing either trade upstream. What is this?

a. Normal netting - the broker offsets the two and hedges only its remaining exposure
b. A conflict of interest that regulators prohibit
c. Proof the prices were not real
d. Something only unregulated brokers do

Answer: a. Internalising offsetting client flow is ordinary market structure, and it is how tiny positions can exist in a wholesale market. It is neither prohibited nor confined to any category of broker, and the prices quoted around it track the wider market because competition makes them.

4. Broker A quotes a 0.8 pip spread; broker B quotes 1.4 pips. What does this tell you on its own?

a. Only the spread component differs - the full cost needs commissions and financing priced in too
b. Broker A is cheaper
c. Broker B has worse prices than the market
d. Broker A is taking a loss to win clients

Answer: a. A spread is one line of a cost structure: a tight spread beside a commission can total more than a wide spread alone. Cheaper needs the whole structure priced. Neither quote is the market's own number, and pricing below cost is not a business model - the margin is somewhere in the structure.