

How To Pass And Keep Your Prop Account

by



TRADERS WITH
EDGE

GET FUNDED

Dear Trader,

Trading is about stacking multiple edges in your favour to improve your odds of success.

Through this short guide I'm going to share with you the reasons why people fail challenges and how you can stack some simple edges in your favour, pass with flying colours. Then keep your funded account for many years to come.

...Well provided you have a good strategy to start with. If you don't have a profitable strategy this guide won't help you.

Stack the deck in your favour, pass the challenge, let's go!

#1 Know The Rules Of The Game

It sounds obvious, but you would be surprised at how many people don't fully understand (or even take the time) to familiarise themselves with the rules of trading for a prop firm before they start trading.

This alone accounts for a large number of people failing, not because they are not good traders, but because they did not completely understand all the rules.

Imagine someone starting to play football and the only rule they know is to get the ball in the goal (across the line, whatever flavour football you know), but they didn't bother to understand what the lines that run along the side of the field are for.

They have amazing talent and then every time they get the ball they run outside the lines and the referee/umpire takes the ball off them.

Yes there are some prop firms out there that hide rules on purpose, somewhere down in the fine print, so they can fail you and keep your challenge fee.

We don't do that, everything is upfront and easy to understand. And if there is something not clear it's your responsibility as a trader to completely understand the rules of the game before you play. Ask support before you start to trade if you are unclear on anything.

The fact that you have downloaded this guide and you're reading these words means that you are already in the top group of traders, so hopefully this one won't apply to you.

#2 Use Risk Per Trade

It's still surprising to see many traders who have a good strategy not understand the consequences of using risk per trade to calculate their lot size. Instead when you ask what risk per trade they use, you get "I use 1 lot per trade."

To start with 1 lot per trade on Gold is not the same as, EURUSD, or USDJPY.

Add on top of this the stop-loss distance for many traders is different on all trades, you have a recipe to create really inconsistent results.

Even if you have a strategy that wins 70% of the time and when you win, sometimes you make \$1,000 and sometimes other times \$500. Sometimes when you lose you lose \$1,000 and other times you lose \$500.

Let's assume you have a 1:2 risk reward ratio, for every trade you lose, you lose 1 part and when you win, you win twice as much.

Lets see what it can look like by using fix lot size:

Trade	Net gain/loss
Win \$500	\$500
Win \$500	\$1,000
Loss \$1,000	\$0
Loss \$1,000	-\$1,000
Win \$1,000	\$0
Win \$500	\$500
Loss \$1,000	-\$500
Loss \$500	-\$1,000

Below, exactly the same trades using a consistent 1% risk per trade.

Trade	Net gain/loss
Win \$1,000	\$1,000
Win \$1,000	\$2,000
Loss \$500	\$1,500
Loss \$500	\$1,000
Win \$1,000	\$2,000
Win \$1,000	\$3,000
Loss \$500	\$2,500
Loss \$500	\$2,000

Exactly the same trades and the end result is significantly different.

There are a number of trade managers which will automatically calculate the risk per trade for you inside your MT4/MT5 terminal. This trade manager is free and will calculate the % risk per trade <https://www.mql5.com/en/market/product/21108> , it also does many other things.

There is one other thing to keep in mind. Depending on your trading style, if you have high risk and low risk trades you may want to use a lower percentage rate for high risk trades and a slightly higher percentage rate for trades that you have a higher conviction in.

#3 Start Small Then Scale

When starting a challenge many people swing for the fences trying to pass the challenge in one or two trades and make big money quickly! Not considering the consequences.

Losing streaks are part of trading, we all have them. So what if you are a good trader and using 2-4% risk per trade is normal, but you have a losing streak of 2,3,4 or 5 trades when you start your challenge?

BAAAMP! You're out.

The other thing to keep in mind is losing 10% is not the same as making 10%. If you have a \$200,000 challenge account and you need to make 10% that's \$20,000. If you start off with a 4% risk per trade and your first 2 trades are losers you are now down to \$184,000.

From \$184,000 to get to your profit target you only need to make the 8% you lost plus the 10% no problem right?

Wrong, to hit your profit target from \$184,000 you now need to make 19.57% to pass the challenge. Almost twice your original target, and guess what?

You have to do it without losing 2.15%...

If you start your challenge with a risk per trade of 1% or less, it allows you to have a much longer losing streak straight out of the gate, without making it harder for yourself.

As your gains grow you can scale up your risk per trade slowly to get across the line before the time is up.

#4 Stop Loss Use

Statistics show that more than 60% of people who do not use a stop loss are likely to lose their funded account.

Yes hitting a stop loss sucks, we all know the feeling. Being stopped out by low margin on a broker or because you violated the daily loss limit feels worse.

Every professional trader that is managing a significant amount of money trades with an exit strategy. An exit strategy is your stop loss. If things go against you, you want to get out of that trade as soon as possible. Then move on to the next trade like a machine, cold, calculated, calm, with no emotion.

This is why we have a stop loss rule for our funded Traders With Edge, to increase the chance they will be profitable for a long time.

#5 Holding Over Weekends

Similar to not having a stop loss, 60% of people who hold trades over the weekend lose their prop accounts.

Below is one of many examples where the market gapped over the weekend. EURUSD gapping 289 points. Even if you had a stop loss in place at 150 points, it would not have been filled and you would have lost almost double what you expected to.



Some people might think “Yeah but I would have been short there”, well you’re gambling and not trading then, because the truth is neither of us have any idea what will happen over the 2 days the market is closed. A war starting, Geo-political changes, bankruptcy announcement from large corporation, Oil refinery blowing up.

The fact is 60% of people who hold over the weekend lose their prop accounts and that’s why we have a rule in place for our funded Traders With Edge to close trades over the weekend, because we want our traders to continually be profitable.

#6 Holding Overnight

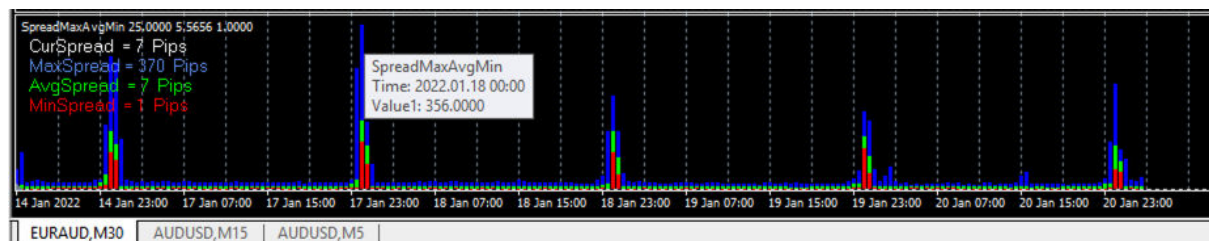
While we don't have any data on how many people lose accounts by holding trades overnight, I thought I'd include it here because it undoubtedly gives you an edge.

Every night when the market rolls over, banks pull their liquidity and do a cleanup for the day. This is why 1 hour before the end of the day and 1 hour after, the spreads widen.

Even if price does not move to your stop loss, you can still be stopped out by the wide spreads. Unfair we know.. But that's the way it is on every broker, whether we like it or not.

Look at the image below, every day you see the same thing at 23:00-1:00. Notice the average spread is 7 points, and the max spread is 370. That's almost 59 times wider than the average spread.

In this case you may have had your stop loss 350 points away from the current price at closing and your position could have still been taken out, only to have the spreads go back to normal then the trade go in your favour.



If you use tight stop losses the only solution is to make sure your trades are closed at least 1 hour before the close of the day.

Swing traders with wide stops are not usually as prone to having their stop losses taken out by spreads, though it's always good to monitor spreads and take action ahead of time.

#7 Allowing Others To Trade Your Account

There are people out there who will promise to pass your prop challenge for a fee. At first look this sounds great, you don't have to do anything and they will deliver you a fully funded prop account.

Many of these scammers post fake images of them passing prop challenges, they take payment of Bitcoin or another form that you have no way of recovering the funds. Once you have paid they simply block your communication and keep your money.

The ones who don't run off with your funds straight away typically use huge lot sizes and try to pass it in one trade. If it goes against them, they lose YOUR account (not theirs), block you and they move on to taking the next person's money.

Even if they do pass for you most prop firms have a rule against this, so you can lose the account anyway.

At the end of the day if you can't pass a challenge on your own, then you should not be signing up for it in the first place. Go and practice, practice, practice until you are consistent, then go and pass first time and earn a stable income.

Prop firms are not going anywhere so don't be in a hurry; it will only make you feel more pressure and increase the chance you will fail.

“To know and not to do, is not to know” *Stephen. R. Covey*

Congratulations on reading this far, it means that you take trading seriously and are willing to put in the work to be a consistently successful trader.

I hope this guide will help you pass your prop challenge and become a full-time funded trader, because there is nothing more empowering than to live life on your own terms, how you want, where you want.

Hopefully you now “Know” what to do and I look forward to having you as one of our funded Traders With Edge sometime in the future.

Regards,

Samuel Junghenn
Founder Traders With Edge

