

Business Plan: Brokerage with Trading Contest
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Personal background

I graduated with a Bachelors in Biochemistry from a top 10 university(UCLA) when I was 17. I have been studying markets since I was 9. I have been professionally trading financial markets since 2008(when I was 18). I was in the 99.995th+ percentile(top out of 20,000+ traders) on Dukascopy Trader Contest for the 9 years of its existence. I was banned 5 years through the contest by request of other traders for doing too good. My trading is based on market maker theory. That market makers trap retail money into bad positions intentionally and then manipulate markets through supply/demand imbalances.

https://www.youtube.com/watch?v=AskZfNQdKo&feature=emb_logo



					5 X		PnL
					12.609584	Z	8.3664340
					1.2336561	mean	370.14036
					0.4234487	std	421.95750
	18.252491						
rahulkghosh	27	244.46	144.46	1.07223	6.5731684		3900.42
FXDON	16	271.02	171.02	1.08551	3.7165609		2736.32
Bigfxtrader	61	136.5	36.5	1.01825	3.0138355		2226.5
snowshow	70	130.13	30.13	1.015065	2.8481950		2109.1
ahmach1	41	141.93	41.93	1.020965	2.3412350		1719.13
mano930	15	209.84	109.84	1.05492	2.2299385		1647.6
Skif	46	134.22	34.22	1.01711	2.1823505		1574.12
tow	30	150.81	50.81	1.025405	2.1225744		1524.3
Aeappk53	11	218.58	118.58	1.05929	1.8843587		1304.38
prisechin	2	826.35	726.35	1.363175	1.8582460		1452.7
NoWay	8	247.52	147.52	1.07376	1.7670863		1180.16
Gieffe2003	11	203.64	103.64	1.05182	1.7432339		1140.04
passionforex	10	213.52	113.52	1.05676	1.7368553		1135.2
Airmike	60	118.49	18.49	1.009245	1.7369862		1109.4
ajmalakbar	8	239	139	1.0695	1.7117735		1112
vania1234	45	123.46	23.46	1.01173	1.6900838		1055.7
cocciolla	49	120.41	20.41	1.010205	1.6446222		1000.09
sohail	23	143.65	43.65	1.021825	1.6430850		1003.95
DEMO2Qtrgr	25	139.53	39.53	1.019765	1.6311825		988.25
oscbox	20	148.42	48.42	1.02421	1.6135418		968.4
rasheed85	11	187.12	87.12	1.04356	1.5984227		958.32
cozard007	10	191.15	91.15	1.045575	1.5615356		911.5
spaima1976	9	201.08	101.08	1.05054	1.5585234		909.72
Bimlesh	52	117.03	17.03	1.008515	1.5541138		885.56
Kungfuforex	24	136	36	1.018	1.5344285		864
GARNALOS	13	166.7	66.7	1.03335	1.5318518		867.1
Profin	19	144.45	44.45	1.022225	1.5183904		844.55
Erialda	45	118.64	18.64	1.00932	1.5180971		838.8
SibinSebastian	4	316.1	216.1	1.10805	1.5074309		864.4
mohands_moh	60	113.36	13.36	1.00668	1.4910301		801.6
svetashopk	15	153.25	53.25	1.026625	1.4831242		798.75
xyzne	10	180.32	80.32	1.04016	1.4825231		803.2
Ghani	6	228.89	128.89	1.064445	1.4545858		773.34
vietfx	7	209.73	109.73	1.054865	1.4533766		768.11
fxsurprise8	45	116.27	16.27	1.008135	1.4399293		732.15
FxMidaso	58	112.43	12.43	1.006215	1.4324044		720.94
tradercillo	3	346.47	246.47	1.123235	1.4171371		739.41
Miss_Forex	15	146.96	46.96	1.02348	1.4164146		704.4
punditz	17	141.02	41.02	1.02051	1.4121911		697.34
nsreddy	2	462.89	362.89	1.181445	1.3958122		725.78
Koryphaeen	13	151.42	51.42	1.02571	1.3909760		668.46
mohsen223	36	118.24	18.24	1.00912	1.3865683		656.64
dung01	25	126.12	26.12	1.01306	1.3831815		653

Business focus

The main focus of our business will be on hosting a Trading Contest we will use to anti-copy bad traders on real-market. The brokerage business will really be a side operation and aimed just to be breakeven in cash flow to gain market share.

Brokerage business

Competitive spreads and commissions bare minimum. Regulation at minimum first eventually work up to UK regulation. Offer maximum 20:1 leverage at all times with option to lower down to as low as 5:1. We will offer as many trading instruments as possible.

Trading contest

Bad traders tend to be very consistent in my studies. They play continuous trading contests for longer time than good traders. They often lose in streaks of several weeks and/or months.

We will host monthly trading contests through [myfxbook.com](https://www.myfxbook.com):

<https://www.myfxbook.com/en/contests>

One thing to note on myfxbook Trading Contests, traders at the 95 percentile make 1.2% a day. In contrast, traders at the 5th percentiles lose 12% a day. There is a much larger sample size and larger magnitude of loss along with higher consistency among losers compared to winners.

Initially we will start with \$100K per month prizes but later ramp that up to \$100M+ per month in prizes. Larger prizes will attract more people. But also the people would be worse at trading due to the larger fear of loss involved from the larger sums involved in prize money. The prizes will be all cash wired to bank accounts of winners. We should only give prizes to the top 5.

We will only offer the 25 most liquid pairs on the contest. The trading contest leverage will be 1:1 so that people last throughout the month. We will have maximum position size be 5M. We will have the demo trading accounts on the contest be \$10M per person.

In the future we should look to acquire myfxbook and/or forexfactory to gain further stronghold.

Identify bad traders to anti-copy

We will look at two factors average pips lost per trade and total pips lost in the previous month for each and every user.

Average pips lost: We will first filter for traders based on average pips lost per trade. Ideally this should be 20 pips lost per trade or more.

Total pips lost: We then filter for traders that have highest total pips lossage. This gives an idea of how many pips total the trader loses. We first filter for average lossage being worse than a certain criteria. Then choose a set amount of traders with the highest total lossage with a large average pips loss.

1521 contestants								
Ranking	Monthly Return	Monthly X	Daily Return	Ranking	Monthly Return	Monthly X	Daily Return	
1 best	1009%	11.09	12.78%	1 worst	-99.99%	0.0001	-36.90%	
20 best	168%	2.68	5.05%	20 worst	-97%	0.03	-16.08%	
40 best	74%	1.74	2.81%	40 worst	-95%	0.05	-13.91%	
60 best	46%	1.46	1.91%	60 worst	-94%	0.06	-13.12%	
80 best	27%	1.27	1.20%	80 worst	-93%	0.07	-12.45%	
100 best	13%	1.13	0.61%	100 worst	-90%	0.1	-10.87%	
120 best	4%	1.04	0.20%	120 worst	-88%	0.12	-10.06%	
140 best	1%	1.01	0.05%	140 worst	-86%	0.14	-9.36%	

The above is a sample of the contestant results distribution for a trading contest from 2018 on myfxbook. Note that 140th ranking best has .05% daily return while 140th ranking worst has -9.36%.

Anti-copying on real market

We will ideally need to get all of the bad traders anti-copied on a prime broker MT4 feed with as deep liquidity as possible and competitive spreads/commissions(HotspotFX, EBS, Currenex liquidity packaged). We should have leverage for the account at a reasonable regulated 10:1.

Variables for anti-copying

1. Average pips lossage cut-off(20 pips or worse per trade).
2. Number of bottom traders(highest total lossage) to anti-copy(ranked from worst total pips, initially we anti-copy bottom 100 but move to larger amounts as contest gets larger).
3. Trade size to execute on real-market when anti-copying(up to 5M per trade).

Determining trade size for anti-copy

The trade size for anti-copied positions on real market will be exact same size as it is on trading contest.

Stability of equity curve

It will be very stable as because we would basically be running at bare minimum one hundred different strategies in the 97th+ percentile(there are much more very bad traders than very good traders, the bottom 3% does worse than the top 3% does good). Bad traders are also more consistent at being "bad" than good traders consistent at being "good".

Factors affecting equity curve

1. More bad traders anti-copied will lead to more stable curve due to diversification.
2. Higher average lossage(pips) per trade for traders will lead to more stable curve due to better per trade performance(and/or success rate) in anti-copy.
3. Higher cash prize pool will lead to worse performance of traders and better performance of anti-copy strategy due to psychology and fear of loss.
4. Higher/irregular volatility leads to bad traders typically doing worse on markets leading to a better anti-copy.

Scaling up to size

I believe we can trade 2% roundturn of the forex market turnover. This is \$150B a day. Each side being \$75B a day. I believe we can get half the monthly range in pips per trade, that comes out to 196 pips. That turns out to be about \$29.4B a month or \$352B a year.

Expanding to other markets

We can also have contests on crypto, stocks, commodities, futures and bonds. With the appropriate risk metrics I believe we can scale up another 50% to \$550B a year.

Projected financials

Investment Tax Rate: Offshore or Foundation

Initial Capital Needed: \$10M

Portfolio Investment: Initially \$7M capital invested in anti-copying portfolio.

Start-up cost for brokerage/contest: Initial \$3M expense to buy major brokerage along with coding for anti-copy trading and risk management. Some of the assets will be held as capital pool for the brokerage and trading contest expenses.

Monthly running expenses: Prize fund and running brokerage/contest support will be initially be \$100K per month and grow at 25% per month till \$100M per month(7% a year thereafter).

Extra profits: Once we saturate the markets we should focus on investing in information technology such as quantum computing, machine learning, artificial intelligence and robotics. I believe investments in this area will give returns above 40% per annum.

Returns: Initially returns will be estimated to be 70% per month inclusive of fees and taxes. This will hold up until at least \$1B equity(4% unlevered at 20:1 leverage). After that it will go down to 35% a month up until \$100B equity(4% unlevered at 10:1 leverage). It will go down to 10% a month by the time we reach \$400B equity(4% unlevered at 2.5:1 leverage).

Initial Brokerage and Trading Contest Setup Expenses:

\$500,000 Regulation and Corporation

\$500,000 Programming

\$500,000 Advertisement

\$1,500,000 Capital Buffer

Initial Monthly Expenses:

\$100,000 Prize pool

\$50,000 Programmers

\$50,000 Support

Initial Portfolio:

\$7M traded at 20:1 Leverage giving \$140M position limit at Prime Broker

Anti-copy the 14 worst traders \$10M account

	Month	Equity	Bimonthly Gains
10	January 2024		
10	March 2024	7,000,000.00	
10	May 2024	20,300,000.00	190%
10	July 2024	58,870,000.00	190%
18	September 2024	170,723,000.00	190%
18	November 2024	495,096,700.00	190%
1	January 2025	1,435,780,430.00	190%
10	March 2025	2,616,709,833.68	190%
12	May 2025	4,768,953,671.87	190%
19	July 2025	8,691,418,066.99	190%
10	September 2025	15,840,109,427.09	190%
16	November 2025	28,868,599,430.86	190%
17	January 2026	52,613,022,462.75	190%
14	March 2026	95,887,233,438.36	190%
18	May 2026	195,887,233,438.36	\$100,000,000,000.00
12	July 2026	295,887,233,438.36	\$103,000,000,000.00
16	September 2026	395,887,233,438.36	\$106,090,000,000.00
11	November 2026	495,887,233,438.36	\$109,272,700,000.00
14	January 2027	595,887,233,438.36	\$112,550,881,000.00
2	March 2027	695,887,233,438.36	\$115,927,407,430.00
10	May 2027	815,292,463,091.26	\$119,405,229,652.90
17	July 2027	938,279,849,633.75	\$122,987,386,542.49
18	September 2027	1,064,956,857,772.51	\$126,677,008,138.76
12	November 2027	1,195,434,176,155.44	\$130,477,318,382.93
10	January 2028	1,329,825,814,089.85	\$134,391,637,934.41
18	March 2028	1,468,249,201,162.30	\$138,423,387,072.45
18	May 2028	1,610,825,289,846.92	\$142,576,088,684.62
15	July 2028	1,757,678,661,192.08	\$146,853,371,345.16
17	September 2028	1,908,937,633,677.59	\$151,258,972,485.51
12	November 2028	2,064,734,375,337.67	\$155,796,741,660.08
12	January 2029	2,225,205,019,247.55	\$160,470,643,909.88
19	March 2029	2,390,489,782,474.73	\$165,284,763,227.18
18	May 2029	2,560,733,088,598.72	\$170,243,306,123.99
12	July 2029	2,736,083,693,906.43	\$175,350,605,307.71
11	September 2029	2,916,694,817,373.37	\$180,611,123,466.94
14	November 2029	3,102,724,274,544.32	\$186,029,457,170.95
17	January 2030	3,294,334,615,430.40	\$191,610,340,886.08
5	March 2030	3,491,693,266,543.06	\$197,358,651,112.66
15	May 2030	3,694,972,677,189.10	\$203,279,410,646.04
15	July 2030	3,904,350,470,154.52	\$209,377,792,965.42
11	September 2030	4,120,009,596,908.90	\$215,659,126,754.38
16	November 2030	4,342,138,497,465.91	\$222,128,900,557.01
19	January 2031	4,570,931,265,039.63	\$228,792,767,573.72
16	March 2031	4,806,587,815,640.57	\$235,656,550,600.94
17	May 2031	5,049,314,062,759.53	\$242,726,247,118.96