

# Analysis



## **PROS of Building a Funded Trading Platform**

1.

### **High Profit Potential**

- Evaluation fees (challenge purchase) can be \$50–\$500+.
- Only a small % of users pass the challenge and reach payout stage.
- Many traders fail and repurchase multiple times (retry revenue).

2.

### **Scalable Business Model**

- Once built, the core platform can serve unlimited users with minimal cost increases.
- Easy to launch new challenges, pricing tiers, and features.

3.

### **Global Reach**

- You can operate online and reach traders worldwide.
- Attract traders from USA, Europe, Asia, etc., using social ads and affiliates.

4.

### **No Need for Real Capital Initially**

- Challenges often use demo accounts with rules.
- You pay out only after a trader qualifies and profits.

5.

### **Predictable Cash Flow**

- Monthly challenge purchases or subscriptions.
- Most traders do not pass — this keeps margins high.

6.

### **Community Building & Brand Value**

- With time, your brand can become an authority in prop trading.
- You can expand into education, trading tools, or even brokerage services.



## **CONS of Building a Funded Trading Platform**

1.

### **Regulatory Gray Area**

- Funded trading isn't always clearly regulated.
- Risk of being classified as financial service provider if not structured carefully.

2.

### **High Development & Maintenance Complexity**

- Custom rule engine, trading integrations, real-time tracking, payment handling, security, etc.
- Ongoing development and bug fixing required.

3.

### **Customer Disputes & Fraud**

- Traders may contest failed evaluations.
- Need fraud detection for botting, copy trading, IP farming, news trading exploitation, etc.

4.

### **Support Overhead**

- Constant need for human support (chat, tickets).
- Traders often blame the platform when they fail challenges.

5.

### **Payout Risk**

- Once traders are funded, real capital must be allocated or payouts made from profits.
- Mismanagement of risk can cause financial losses.

6.

### **Marketing Spend**

- Initial growth often depends on heavy advertising, influencers, and affiliate commissions.



## **Profitability Analysis**



**Key Revenue Streams:**

Source	Description
Challenge fees	\$50–\$500 per trader (one-time or recurring)
Retry fees	Traders repurchase after failing (can retry 3–10 times)
Account reset fees	Pay to restart a challenge instead of buying a new one
Scaling plans	Unlock new capital tiers with added fees
Affiliate earnings	Referral systems grow reach, bring revenue
Upsells	Add-on products: trading tools, signals, mentorship
Payout structure	You keep a percentage of profits (e.g., 10–20%) from funded traders

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### **Realistic Profitability Rates:**

Metrics	Example Scenario
Challenge Price	\$100
Monthly Users	1,000 traders
Pass Rate	5–10% pass Step 1, 1–3% get funded
Avg Attempts/Trader	2–3 retries
Payout % vs. Revenue	10–20% of revenue goes to payouts

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## Profit as the Developer

### 1.

#### Custom Platform Licensing

- Build your own platform and license it to others (white-label SaaS).
- Monthly licensing fees can range from \$500 to \$5,000 depending on features.

### 2.

#### Own Brand = Lifetime Value

- Your brand equity builds over time.
- If successful, it can be sold for 6–7 figures (some have already sold for \$10M+).

### 3.

#### **Recurring Revenue**

- You earn from:
  - Evaluation fees
  - Monthly trader subscriptions (for scaling, access, tools)
  - Affiliate programs with brokers or trading platforms

### 4.

#### **Profit from Trader Performance**

- If connected to a broker, you might:
  - Get revenue share from broker spreads
  - Use profit split models (e.g. you keep 10–20%)

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### **Example Monthly Breakdown (Small Platform)**

Metric	Estimate
Monthly Traders	1,000
Avg Purchase	\$100
Monthly Revenue	\$100,000
Pass Rate (2%)	20 traders get funded
Payout Obligations	~\$15,000
Gross Profit	\$85,000
Costs (support, infra, ads)	\$30,000
Net Profit	~\$50,000/month

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Would you like this breakdown as a PDF too? Or want to see a business model canvas or financial projections template?