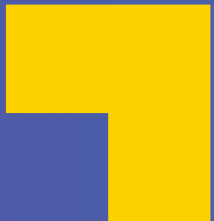




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**IB Guide**



[www.riverprime.com](http://www.riverprime.com)

# Introduction

The world of Introduction Broking is an exciting new landscape in which traders of all capabilities can reap rewards. Working as an Introducing Broker can be a great way to supplement your trading, or even be run as a stand-alone business. In this eBook we're giving you view of the IB world from the ground up, to help you understand exactly what this exciting role is, how it works and how you can benefit from getting involved.

With plenty of key, industry insights and useful knowledge, this eBook will act as a complete guide for anyone interested in entering the world of Introductory Broking and taking their Forex business to the next level.

As ever, we appreciate your feedback and look forward to hearing any thoughts or questions you have on the information included.



## What is an Introducing Broker?

The development of online trading has opened up a world of opportunity to a section of the market that never existed before. Retail traders can now profit from movements in the currency markets in the same way that investment banks and other large institutions can. As retail trading has grown over recent years, a new level of opportunity has emerged: Introducing Brokers or IBs.

Introducing Brokers originally began in the Commodities Futures market but have grown increasingly popular in the Spot Forex market, as that sector has seen an explosion in volume over recent years.

Many people already do this without acting in an official capacity. For example, it's very common for traders to tell their friends about a good experience they have had with a particular broker, recommending that their friends become clients also. However, it is possible to set up an official agreement with a broker to become an Introducing Broker and refer people in an official capacity.



As the retail Forex industry has ballooned over recent years, so too has a subset of the industry based around Forex education, analysis and signal services. Proven traders can share their market analysis and engage in online tuition; some traders also choose to share their trades so that subscribers can follow their activity. Traditionally, these traders have offered their services via their own websites, using social media and word of mouth to gain new followers.

However, the Introducing Broker industry has created a wealth of opportunity to traders looking to offer their services, as they can now partner with reputable brokers to gain clients as well as access to a larger marketplace with better resources.



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## What exactly do Introducing Brokers do and how do they make money?

As we outlined above, introducing brokers make money from referring people to their attached brokerage firm. However, although the process seems simple, it's important to remember that introducing brokers are only paid for the clients that go on to become active clients.

As an example, let's assume that an IB refers five friends to a broker and only three of them open an account and deposit money. This would mean that the IB would earn from three of their referrals, who went on to become active clients.

Now, you might be wondering how an IB earns from their active clients. Essentially, an Introducing Broker agreement will specify an agreed commission, which will be paid to the IB for the amount traded by one of their referred clients.

Each time an IB refers an active client, they will open an account and start trading. The active client will then begin opening trades which have a certain volume, for example 1 lot. So, as the referred active client trades, the broker will pay the IB based on how much the active client trades. The larger the volume, the more commissions generated for the IB.

Typically, an IB will be paid certain commission per lot traded by their referred clients.



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## Who can become an Introducing Broker?

The great news is that anyone can become an introducing broker. No matter how much experience you have in the finance industry, if you have the right support, resources and tools in place, even those with little to no experience can succeed. At the beginning, the most successful introducing brokers are active, advanced traders. Traders who can analyze the markets in useful and engaging ways will often find that they are able to use their expertise to attract more referrals. Many successful retail traders have been able to build solid businesses out of their roles as Introducing Brokers, offering their analytical services exclusively to clients of their designated brokerage firm.



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## How can Introducing Brokers gain clients?

Introducing Brokers that are just starting to grow their network can refer clients that they know directly. Clients are much more likely to register with a broker when someone that they know personally gives them a recommendation, while also being able to ask for information and advice much more readily.

Although this method has a much higher success rate, as traders are able to trust the person who referred them, there is only a limited number of clients that the IB can refer. Not all Introducing Brokers operate at such small scales however, and many retail traders have become Introducing Brokers as a way of supplementing their trading income. Using the internet, Introducing Brokers can advertise their services to a wider audience and thus gain a greater number of referrals, active clients, and ultimately, commission payments.

Social media has become an invaluable tool for Introducing Brokers as a means of promoting their services and attracting new clients. We'll be breaking down the different methods used to attract clients a little bit later. .



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## Which communication channels are open to Introducing Brokers?

When it comes to advertising their services online, the internet provides an endless range of communication methods. Firstly, IBs can create and utilize a website which would act a landing page. They can provide content that relates to trading, tips, tricks and information related to trading. They may then be able to generate a mailing list from the clients that they attract.

Social media is also a powerful tool for reaching possible clients.

Aside from groups and pages on SM platforms which are able to catch a trader's eye, WhatsApp, Telegram and We Chat are also powerful tools for attracting potential clients.

A traditional bedrock of the IB business has been the many popular trading forums that exist. Interacting with other traders and demonstrating good knowledge of the markets is a powerful way of building a solid reputation. Many new traders learn from those on trading forums and, IBs have always been able to gain referrals by using such websites.

Alongside this, most introducing brokers use social media to communicate with clients, advertise their services and gain new clients. In terms of communications channels, the main bulk of communication is done via email, Facebook, Twitter and more recently, social media channels such as Instagram and Snapchat.



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## ■ The benefits of social media for Introducing Brokers

The seemingly never-ending rise in popularity of social media has opened up a vast wealth of opportunity for Introducing Brokers. It has never been easier for IB's to advertise their services and gain clients. In the past, IBs had to use their websites and the slow process of building email lists (or paying for lists, which can be expensive) to build a solid client base. However, social media has revolutionized the way in which content can be shared. For IBs, this content is ultimately what will help them gain clients.

The main benefit of social media is the ease with which content can be shared and new audiences can be engaged. On Twitter, Facebook and Instagram for example, posts can be reposted by any and all users, which offers IBs the chance to increase their online visibility and gain access to a far greater number of potential clients (greater reach).



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All social media platforms now offer business accounts which allow you to run ads. These advertisements can also be targeted to your chosen audience, which allows you to specify country, gender, age interest etc.

As an example, let's say you're regularly posting your technical analysis on Instagram as a way of generating referrals but, you wish to increase your exposure. You can run a targeted ad aimed at men, aged 20 – 50, based in the UK and interested in finance and trading.

The opportunities that this targeted advertising creates means that social media is an invaluable tool for IBs. You can also monitor your budget to make sure that the income you are generating is justified by your expenditure and adjust accordingly.



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## Who are the ideal clients of Introducing brokers?

While of course any and all clients generated are beneficial to IB's, there are of course clients who will be more beneficial than others. These are advanced traders. Aiming to convert advanced traders into active clients can be far more rewarding than attracting new or less experienced traders.



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## What are advanced traders and why do they make the best clients?

Advanced traders are those traders who have been active in the market for one year or more. Typically, these traders have been through the process of losing money, adjusting their strategy and honing their skills. Tending to have higher levels of capital and a more consistent way of trading, advanced traders offer the prospect of a much longer relationship than new trader.

Many very new traders tend to start with much smaller deposits and can often become frustrated with the losses which they will inevitably suffer during the learning process. Alongside this, advanced traders typically have a better group of contacts, namely other advanced traders. As such, converting advanced traders into clients can lead to a far better stream of potential clients to interact with and ultimately, more profitable relationships.



## How to convert interest into active clients?

Ok, so far we've talked about what an IB does and the means through which they can gain traffic. However, as we outlined, IBs only get paid on those traders which they convert into active clients with their designated broker. So, how does an IB go about converting general interest into a paying client? The way that most IBs operate is that they publicize a certain level of FREE but valuable content online, which could be anything from a general market outlook each week to a few specific trade ideas available to everyone. The IB will then specify that, any traders who become active clients of their brokerage will receive access to exclusive material. In terms of the materials offered to prospective clients, some key important factors are the quality, quantity and uniqueness of the content.



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For example, let's say that an IB's freely available public content consists of a 15 min video at the start of the week giving a broad market outlook and highlighting a few trade ideas. Then each day the IB might publish one chart outlining some basic analysis or a level of interest.

The IB may then offer access to a one-hour interactive webinar at the start of each week, with specific trade ideas to any traders who become active clients. Each day, the clients will then receive notifications about specific trade ideas and will also have access to a chat room where they can talk about the market with the IB.

**Offering value added services such as these is a fantastic way of turning interest into active clients.**



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## How to retain active clients?

It is important to remember that the work is not over once you've successfully converted interested parties into active clients. Remember, as an IB you will be paid on each lot traded by an active client. So, once you've converted a client and they have made a deposit and begun trading, it's in the IBs best interest that they trade for as long as possible. This links back to what we discussed earlier in terms of advanced traders making better active clients, as typically they will have a longer trading life. However, the IB can also help keep clients active.

Offering insightful, actionable trading analysis is a great way to help support active clients and keep them trading. Many traders benefit from tuition and guidance whether that be in the form of weekly and daily trade ideas or more interactive tuition such as skype calls and webinars, offering traders constant support is the best way to help retain active clients.

Another fantastic way to keep clients active is by offering a higher level of service as time goes by. This could mean anything from increased number of webinar sessions or trade ideas, to one-on-one sessions. Remember that a client will likely only stay active if they feel that that there is value to accessing your services. So, IBs need to make sure that they keep a consistent level of output for their materials and that they place an emphasis on customer service to maintain good, professional relationships with their clients.



## Retention Planning

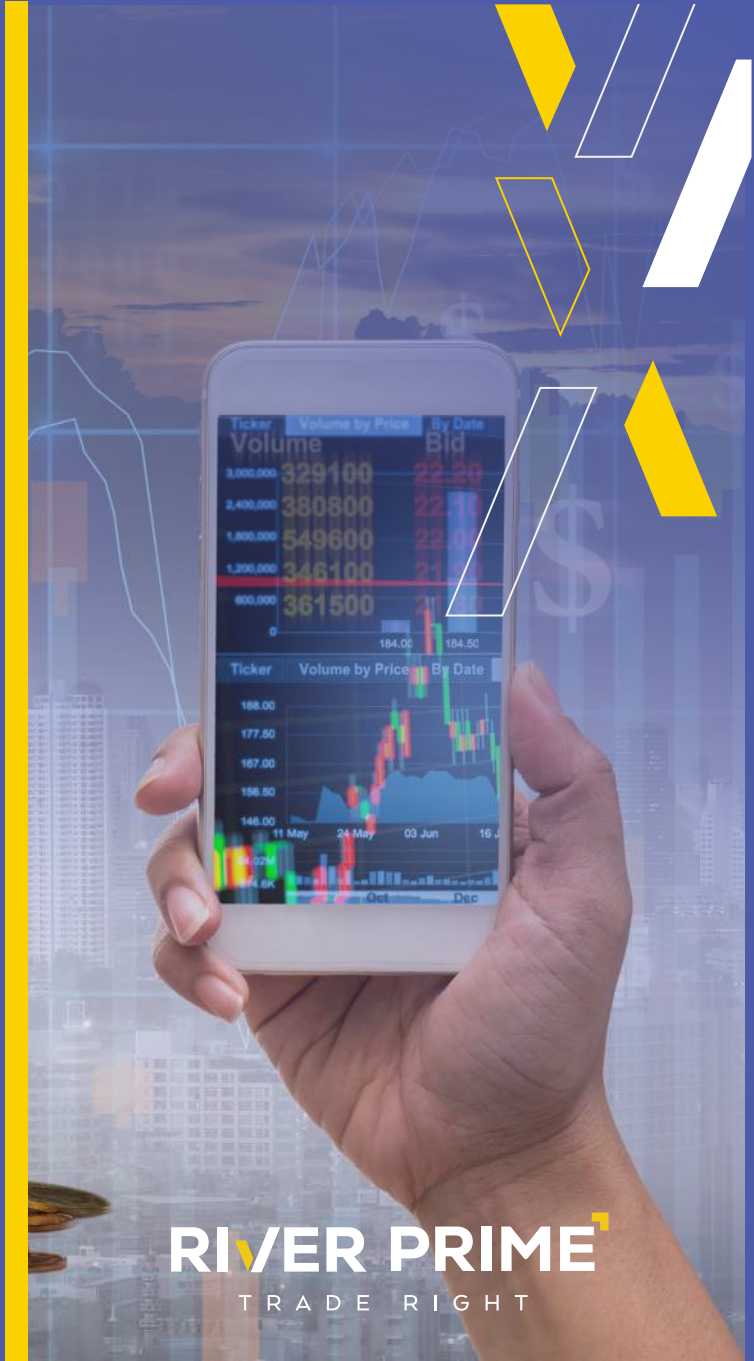
The final part of the business plan needs to outline your strategies for retaining active clients. Once a client is signed up with the broker, it's important that IBs maintain a consistent level of output and customer service to keep the client happy and keep them trading. Low caliber IBs will focus on high frequency trade ideas without regard for outcome, just looking to earn commission from the trades before the trader eventually closes their account. Aiming to deliver consistent, high quality materials that actually benefit each trader is a better business model by far and will keep clients active for much longer..



## Compliance with Rules

River Prime is a regulated broker and regulation governs all our activities, therefore we have the upmost obligation to treat our client fairly, efficiently, and honestly including the relationships we have with third parties such as Referrers. Below are expected from referrers:

- Referrers to abide with the rules and any other applicable legislation while engaging as Referrers.
- Referrers are prohibited from providing financial product advice unless they are licensed to do so.
- Referrers to ensure that their referrals do not breach any referral selling prohibitions as may be applicable in any jurisdictions they operate.
- Referrers confirm that River Prime have not facilitated unlicensed conduct by Referrer.



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- Referrers confirm that they will not behave in a way intended to influence any prospective clients about a product.
- Referrers are prohibited from targeting persons that are not suitable for the products offered by River Prime.
- Referrers are prohibited from breaching any Mauritian financial services license investor protections or any financial services regulations in any other jurisdictions.
- River Prime require Referrers to provide information on its activities and/or provide any other information to enable River Prime to monitor and review Referrers' activities for any violations of its obligations.



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## Assessing Referral Applications

When River Prime assess a Referrer's suitability, it generally applies the same regulatory considerations that it must abide by when marketing its own products and services. If it were to accept a Referrer who had misleading content on their media channel, it would be in breach of its obligations.

Referrers must at all times be prepared to provide River Prime with sufficient evidence for the ownership of its blog, Website/Portal, social media profile or any other platform used for performing the Services in accordance with this Agreement.

Referrers shall provide some description of the Referrer's proposed source(s) of traffic. During the application process, the prospective Referrer should clearly mention whether the proposal is to generate traffic either from digital or offline. If intends using digital channel for the purposes of referring traders to River Prime, it should provide the URL of the Referrer's Website/Portal and if using offline channel, a description of offline activities operated or proposed to be operated by the Referrer for review and approval by River Prime.

Offline traffic is recognized for the Referrer program as long as the Referrer clearly specifies this during the application process and undertakes to act in conformity with the provisions set out in these guidelines and Referral Agreement.



River Prime reserves the right to perform any and all checks that it deems necessary when online or offline traffic is generated. When assessing Referral applications with online digital traffic, River Prime considers:

- The business the Referrers are engaged in
- The information on Referrers 'media platform/channel and if there is any potentially misleading or deceptive information; and
- Referrers' brand/reputation in the market/industry Based on all the documentation

and information collected from the prospective Referrer, including the prospective Referrer's completed Referrer Application process, River Prime may, at its sole and absolute discretion, either approve or reject the Referrer Application.

**Approval of Referrer application will be subject to a satisfactory due diligence result.**

## Ongoing Monitoring

Approved Referrers will be subject to ongoing monitoring including an annual review of Referrals' media channel/platform.

If a breach of our guidelines is detected after an application has been approved, Referrals will be asked to make the necessary modifications to the marketing material. Failure to do so within a reasonable period of time may lead to the Referral agreement being terminated by River Prime..

## Checklist

The below checklist serves as a guide for River Prime, but not limited to, or reviewing Referrers' online digital traffic. Referrers to ensure that they strictly follow these guidelines.

### 1. **Factual information only. No financial product advice.**

The media platform must only provide factual information about financial products and services. Factual information is objectively ascertainable information, the truth or accuracy of which cannot reasonably be questioned. Financial product advice generally involves a qualitative judgement about - or an evaluation, assessment, or comparison of - some or all of the features of a financial product.

Only license, registration, accreditation holders are authorized to provide financial advice to clients. We suggest including a disclosure when providing factual information, e.g.: The information on this website has been prepared for educational purposes only and is general in nature. The information provided has not considered your objectives, financial situation or needs, and is not intended to imply any recommendation or opinion about a financial product.



## 2. Impression

The content on your media platform must not be misleading or deceptive (even unintentionally misleading or deceptive). If a claim regarding your product or services cannot be substantiated by up-to-date documentary evidence, then it may be considered misleading.

## 3. Benefits and risks

The content on your media platform should give a balanced message about benefits and risks of products and services – do not overstate the potential benefits or create unrealistic expectations. You should make sure that risks about your financial product are clear, not hidden or difficult to understand.

## 4. Past Performance

When presenting/using performance figures on your media platform you should not falsify or ‘cherry pick’ the data and include a caveat where the data is published. If you are referencing past performance, you will need a statement like this one:

**Past performance is not a reliable indication of future performance.**



## 5. Opinions or projections regarding future matters

Forecasts must be based on reasonable assumptions and must not be misleading. Forecasts about future performance should also state that the forecasts are not guaranteed to occur. Any opinions, projections and forward-looking statements contained are estimates only, and there can be no assurance that any such forward-looking statements will prove to be correct. Actual results may differ materially from those expected or implied as forward-looking statements.

## 6. Warnings, disclaimers, qualifications, and fine print

Use of warnings, disclaimers and qualifications should not be inconsistent with other content (e.g., headline claims) and should be sufficiently prominent (i.e., same format as the main body of the message and not in fine print or hidden).

## 7. Fees and costs

Where fees or costs are mentioned, it should give a realistic impression of the overall level of fees and costs the consumer is likely to pay (including any indirect fees or costs).





## 8. Restricted use of certain terms and phrases

Take care and avoid using terms such as: free, secure and guaranteed which could be misleading if used in the inappropriate context. Avoid creating expectations that cannot be met.

## 9. Photographs, diagrams, images, and examples

Use of photographs and images must not be misleading and contradict, detract from, or reduce the prominence of any warnings, disclaimers or qualifications. Tables, charts and diagrams should be easy to understand and not be ambiguous, overly complicated or falsified.

## 10. Testimonials

No falsified testimonials are permitted to be used. Only genuine testimonials with the consent from the person providing the testimonial can be used.

## 11. Use of the River Prime name and Logo

It is strictly prohibited to use the River Prime name and logo unless written permission is given by River Prime.



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