

In today's fast-evolving forex trading world, many brokers attract traders with one headline feature: **"0.0 pip spreads."** Sounds great, right? Zero cost on the spread means you keep more of your profits, or so the story goes. However, as any seasoned trader would tell you, *nothing is truly free in forex trading*. If a broker offers a 0.0 pip account, there's almost always a catch — usually in the form of commissions per lot or other costs.

This post dives into the details of **spread vs commission forex pricing**, breaking down terms like *raw spreads*, *ECN/ECM pricing*, and why even the tightest spreads or "zero spread" accounts still involve paying for execution. Along the way, we'll naturally mention some well-known FCA-regulated brokers like **TIOmarkets (Tio Markets UK Limited)**, **Pepperstone**, and **XTB**, highlighting key trust signals including FSCS protection, negative balance protection, leverage caps, and the realities of trading with popular platforms such as **MT4 and MT5**.



Understanding Spreads and Commissions in Forex

At the core of forex trading costs are two principal components:

- **Spread:** The difference between the bid and ask prices for a currency pair. It represents the broker's markup embedded in the price and typically measured in pips.
- **Commission:** A direct fee charged per trade or per lot, separate from the spread, often expressed as a fixed cost per 100,000 units traded.

Some brokers bundle their costs exclusively into spreads, which tend to be wider, while others offer "raw spreads" that are razor-thin but charge commissions per lot — often called *ECN (Electronic Communication Network)* or *ECM (Electronic Communications Market)* pricing models.

Raw Spreads and ECN/ECM Pricing

Raw spreads are essentially the actual bid-ask prices streamed from liquidity providers without any broker markup. Brokers like **Pepperstone** offer these via ECN pricing models. In this model, commissions are charged separately, often ranging from \$3 to \$7 per standard lot (\$100,000 USD). This separation provides transparency: you see exactly what you pay without hidden costs masked by wide spreads. For traders using **MT4 or MT5**, these models are attractive since they can optimize execution and integrate well with expert advisors.

Broker Spread Type Typical Raw Spread on EUR/USD (pips) Commission per Standard Lot (USD) Platform Support
Pepperstone Raw Spread (ECN) 0.0 - 0.3 6 (round trip) MT4, MT5, cTrader TIOmarkets (Tio Markets UK Limited)
Raw Spread (ECM / DMA) 0.0 - 0.4 5 - 7 (round trip) MT4, MT5 XTB Fixed or Variable Spread 0.7 - 1.2 Usually no commission on standard accounts Proprietary xStation 5, MT4

Note that **XTB** typically offers spread-based accounts with no commissions for standard clients, but spreads are wider compared to ECN desks.

Why Do Zero Spread Accounts Still Cost Money?

When brokers advertise "0.0 pip spreads," the commission per lot becomes the primary revenue source. Let's illustrate with an example:

1. Suppose the broker offers 0.0 pip spreads on EUR/USD but charges a round trip commission of \$6 per lot.
2. Trading 1 standard lot (100,000 units) means you pay \$6 total regardless of spread; this is typically \$3 per side.
3. This \$6 commission effectively becomes your "cost of trading," even though the spread is zero.

Therefore, focusing exclusively on the spread misses the full picture. Always consider the **raw spreads commission per lot** combined to determine your actual costs. Don't be fooled by marketing fluff promising "zero cost spreads."

Hidden Costs Beyond Spread and Commission

Other costs and factors to watch out for include:

- **Inactivity Fees:** Some brokers charge monthly fees if your account is dormant.
- **Swap/Rollover Fees:** Interest for holding positions overnight.
- **Currency Conversion Fees:** If your base account currency differs from the trading instrument.
- **Withdrawal Fees:** Can vary significantly and make funding less flexible.

For instance, **TIOmarkets** is transparent about commissions on their raw spread accounts and offers FCA regulation for their UK entity, which ensures a certain level of consumer protection.

FCA Regulation and Trust Signals

When evaluating brokers for their spreads and commissions, never overlook regulatory compliance and trust signals. Top UK brokers such as **Pepperstone, TIOmarkets UK Limited, and XTB** hold full authorization from the **Financial Conduct Authority (FCA)**. You should always:

- Check the FCA Register and confirm the broker's **Firm Reference Number (FRN)**.
- Verify whether the broker is offering services under that regulated license or just an offshore entity.
- Look for **FSCS protection** and understand what it means for you.

FSCS Protection (*Financial Services Compensation Scheme*) protects eligible clients up to **£85,000 per person per firm** traditionally, but since recent changes (post-Brexit adjustments and regulatory updates), **protection is up to £120,000 per eligible person per authorised firm** in the UK as of early 2024.¹

¹Note: Always verify the current FSCS limit on the official FCA or FSCS websites, as these may evolve.

What FSCS Protection Does NOT Cover

- Losses from trading activity or poor investment decisions.
- Cash balances exceeding the FSCS-protected limit.
- Fraud or insolvency of offshore or unregulated entities.

This highlights why dealing with FCA-authorized brokers like **XTB UK** or **TIOmarkets UK Limited** is critical for safety and trust.

Negative Balance Protection and Leverage Caps: Additional Safety Nets for UK Retail Clients

UK regulation mandates important protections for retail forex clients:

- **Negative Balance Protection:** Prevents you from losing more than your account balance, shielding you from owing money beyond what you deposited.
- **Leverage Caps:** To curb excessive risk-taking, the FCA enforces leverage limits to retail traders, such as:

Instrument Maximum Leverage Major Forex Pairs 30:1 Non-Major Forex Pairs, Gold, Major Indices 20:1
Commodities Other than Gold & Minor Indices 10:1 Shares 5:1

These rules reduce the risk of catastrophic losses and are part of what separates FCA-regulated brokers like **Pepperstone** and **TIOmarkets UK** from offshore unregulated entities.

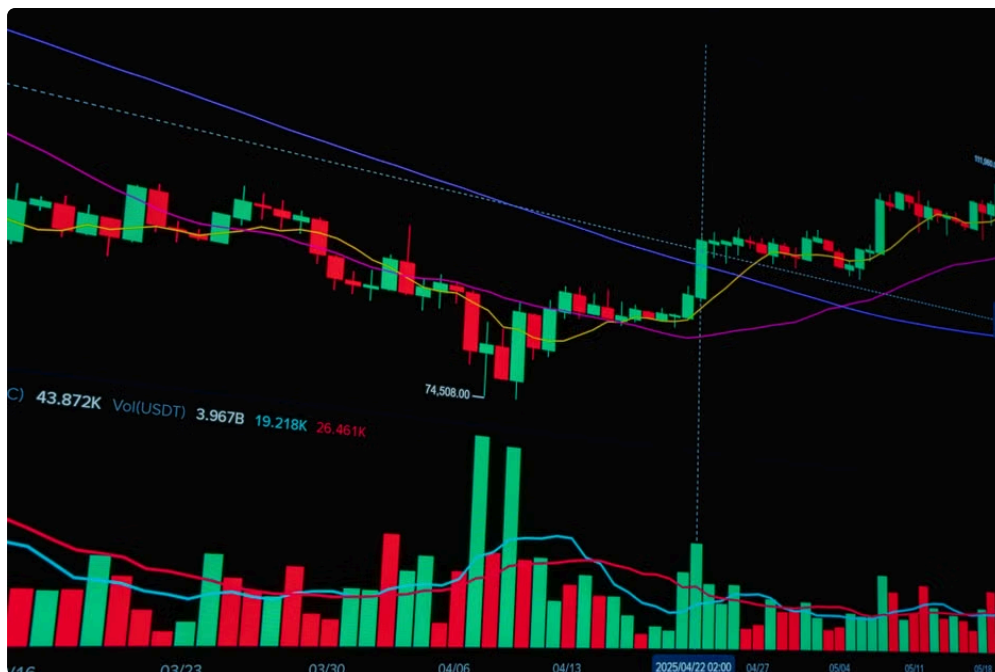
Choosing the Right Account: Spread vs Commission and Platform Considerations

If you're wondering whether to choose a zero spread plus commission account (raw spread/ECN) or a traditional spread-based account, consider these points:

- **Trading volume:** High-frequency or large-volume traders typically save money with raw spread + commission models.
- **Strategy:** Scalpers benefit from raw spreads and tight execution, whereas swing traders might value simplicity over per-lot commissions.
- **Platform compatibility:** Brokers like **Pepperstone** and **TIOmarkets** support both **MT4** and **MT5**, popular among algorithmic and manual traders for execution transparency.

Conclusion: Always Calculate Total Trading Costs Beyond the Spread

"Zero pip spreads" are enticing marketing headlines but never equate to zero trading costs because commissions per lot and other fees still apply. When comparing brokers — whether it's **Pepperstone**, **TIOmarkets (Tio Markets UK Limited)**, or **XTB** — don't just <https://theenterpriseworld.com/forex-brokers/> glance at the spreads. Look at:



- Combined cost of raw spreads plus commission per lot.
- Regulatory protections like FCA authorization and FSCS coverage (up to £120,000 per person per firm).
- Risk safeguards: negative balance protection and leverage caps.
- Platform flexibility (such as MT4 and MT5 support) and execution quality.

By understanding the full picture of **spread vs commission forex** structures and the protections available, UK traders can make informed choices that optimize cost-efficiency without compromising safety.

References:

- Financial Conduct Authority - [FCA Register](<https://register.fca.org.uk/>)
- Financial Services Compensation Scheme - [FSCS Protection Limits](<https://www.fscs.org.uk/what-we-cover/>)
- Pepperstone - [Commission & Spreads](<https://pepperstone.com/en/au/spreads>)
- TIOmarkets - [Fees & Commission](<https://tiomarkets.com/en/fees/>)
- XTB - [Trading Costs](<https://www.xtb.com/en/trading-account/pricing>)