PAPA BULL MONEY / EDUCATION SERIES

The Beginner’s Guide to Copy Trading

Everything you need to understand before putting your money at risk.

A practical introduction to automated trading, leverage, compounding, costs and due diligence.

FREE EDUCATIONAL GUIDE • UK EDITION

Trading can result in substantial losses. This guide is educational, not a recommendation to trade.

What is copy trading?

The idea

Copy trading connects your trading account to a selected trader or strategy. When that strategy opens or closes a position, software attempts to reproduce the trade in your account.

What you control

Depending on the service, you may choose the strategy, allocation, risk settings and when to stop copying. Check whether you can close individual positions yourself.

What you do not control

You cannot control market movements or guarantee the strategy will make money. Your results may differ because of execution delays, fees, account size or settings.

> Automation is a way of executing trades, not a guarantee of profit.

02 / THE PROCESS

How does it work?

Step 1: Research

Identify the actual broker, strategy provider and software operator. They may be separate companies with different responsibilities.

Step 2: Understand the account

Find out who holds your money, what instruments are traded, how leverage works and what fees apply.

Step 3: Connect and monitor

If you independently decide to proceed, understand the copying permissions and how to disconnect. A demo account can help you learn without risking real money.

Step 4: Review

Monitor open positions, equity, costs and withdrawals. Do not assume a system is safe because it operates automatically.

> Never give anyone your password, wallet recovery phrase or remote access to your device.

Forex, gold and leverage

Forex

Foreign exchange trading involves changes in the relative value of currencies. Economic news and interest rates can cause rapid price movements.

Gold

Gold prices can move sharply in response to economic events, currency movements and market sentiment. A gold CFD is not ownership of physical gold.

Leverage

Leverage increases exposure relative to the money committed. For example, £100 of margin at 10:1 leverage controls £1,000 of exposure. A 5% adverse move represents £50 of loss before costs, or half the margin.

Margin calls and closure

A broker may close positions when account equity falls below required levels. Check whether negative balance protection applies to your account.

> Leverage magnifies losses as well as gains.

Understanding compounding

What it means

Compounding occurs when gains remain invested and subsequent returns apply to the changed balance. Losses also affect the amount available for future trading.

A simple illustration

Starting with £1,000, a hypothetical 2% gain followed by another 2% gain gives £1,040.40. A 10% loss from that balance leaves £936.36, before fees.

Why projections can mislead

Trading returns are variable. A fixed weekly or monthly growth assumption is not a reliable forecast. Historical returns may omit open losses, fees or unsuccessful accounts.

> These figures are arithmetic examples, not expected trading returns.

Drawdown and account equity

Balance versus equity

Balance generally reflects closed trades. Equity includes unrealised gains and losses on open positions. A rising balance can hide substantial open losses.

What is drawdown?

Drawdown measures a decline from a previous peak. If equity falls from £1,000 to £800, the drawdown is 20%. Returning from £800 to £1,000 requires a 25% gain.

Questions worth asking

What was the largest historical equity drawdown? How long did recovery take? Are results independently verified? Does the strategy increase trade sizes after losses?

> A smooth historical performance chart does not establish that a strategy is low risk.

Fees and withdrawals

Trading costs

Spreads, commissions, overnight financing and currency conversion can reduce returns. Ask for the complete fee schedule.

Copying costs

Some services charge subscriptions, performance fees or volume-based fees. Understand when fees are payable and whether losses affect future performance fees.

Access to your money

Read withdrawal terms, processing times and identity checks. Confirm who controls the funds. A successful small withdrawal does not prove future withdrawals will be available.

Warning signs

Unexpected demands for advance tax, unlocking fees or additional deposits to release money warrant independent checks before paying.

> Evaluate net performance after all costs, not just headline gains.

Check before you commit

Verify the legal entity

Use the FCA Firm Checker at fca.org.uk/consumers/firm-checker. Check the exact legal name, website and permissions, not just a similar brand name.

Check warnings

Review the FCA Warning List. Absence from the list does not establish authorisation or safety.

Understand protections

Ask whether UK complaint and compensation arrangements apply to your specific provider and activity. Such protections do not cover ordinary trading losses.

Check conflicts

Find out whether the person introducing a service receives referral fees, commissions or other benefits.

> Do not rely on testimonials, screenshots or company registration alone.

Ten questions to ask

Before making a decision

1. Who holds my funds?
2. Is the exact provider authorised for the relevant activity?
3. What is being traded?
4. What leverage is used?
5. What is the maximum historical equity drawdown?
6. Are performance figures independently verified?
7. What are the total fees?
8. How do I stop copying and withdraw?
9. Who receives referral or trading commissions?
10. Can I afford to lose all the money committed?

If an answer is unclear, do not rush into a decision.

09 / NEXT STEPS

Learn first. Decide later.

Make education your priority

Take time to understand the terminology and compare alternatives, including not trading at all. Never use money needed for bills, emergency savings or debt repayments.

When attending a presentation

Ask about the broker, regulatory permissions, leverage, fees, drawdown, withdrawals and conflicts of interest. A presentation is not independent verification.

About this guide

Papa Bull Money provides general educational information. This guide does not assess or endorse any particular broker or strategy and is not personal financial advice.

Independent information

Visit moneyhelper.org.uk for general money guidance and fca.org.uk/consumers for consumer information.

> You are under no obligation to open a trading account.