

TRADER CERTIFICATION & VERIFICATION INSTITUTE

The Prop Firm Guide

An in-depth walkthrough of how to make money trading proprietary firm evaluations.



"Consistency, risk control and rule literacy outlast any single account — winners of prop firms are built, not bought."

TCVI Prop Firm Guide

Edition 1 · Based on the TCVI Trading with Prop Firms masterclass

Trader Certification & Verification Institute

Certified Education · Verified Methodology

What's Inside

This guide distills a comprehensive walkthrough of how to make money trading prop firms into a printable reference you can keep beside your trading desk. Every rule, every example and every checklist entry below is drawn from practitioner research — TCVI does not add opinion. Where the source material referenced further reading, we have noted it for you.

- **Section 1 — The Prop Firm Model:** what you're actually buying when you purchase an evaluation.
- **Section 2 — Drawdown Systems:** intraday vs end-of-day trailing drawdowns, with a worked \$50K example.
- **Section 3 — Common Rules:** consistency, minimum trading days, news events, scaling, billing.
- **Section 4 — The Cost Math:** evaluation price vs the personal account alternative.
- **Section 5 — Operations & Admin:** platforms, SIM → live, taxes, country restrictions.
- **Section 6 — Strategy & Risk:** position sizing, growth vs withdraw, treating firms as a business.
- **Section 7 — Pre-Funded Pre-Flight Checklist.**

1. The Prop Firm Model — In One Minute

WHAT IS A PROP FIRM?

A **prop firm** (short for *proprietary trading firm*) is a company that supplies traders with firm-funded capital to trade the futures, forex and CFD markets. Instead of risking their own money in a personal brokerage account, traders buy an evaluation (sometimes called a "challenge" or "1-step / 2-step"), and if they pass — typically by hitting a profit target without breaching a maximum drawdown — they are awarded a **funded account** they can trade under the firm's rules.

The trader keeps the lion's share of the profits (commonly **90%**); the firm keeps the rest as its fee for providing the capital, the platform and the infra. If the trader loses, they owe the firm **nothing** — the firm absorbs the loss. This asymmetry is what makes prop firms a low-capital, high-leverage pathway for practiced traders, and a poor fit for gamblers.

At their core, prop firms are pretty simple. **You purchase an evaluation, trade it, and you become a funded trader if you hit the profit target before the max drawdown.** From there you're funded and — for most futures firms — you keep **90% OF PROFITS** while the firm keeps the rest.

The risk-free promise: if you fail the funded account and lose all the money, you owe the firm nothing. It's an incredible opportunity for *experienced and practiced traders* — but it's a money pit for gamblers and beginners.

The buying and post-purchase flow is typically walked through on a **\$50K starter plan** at one of the major futures prop firms. Pause the reference at that point if you'd like the screen-by-screen detail. From there, the guide moves into the systems that actually govern how the account behaves.

2. Trailing Drawdown Systems — Read This Twice

When the account is making money, the way the **max drawdown** moves up depends on the trailing system the firm uses. Two flavours exist:

Type	How It Trails	Verdict
Intraday Trailing Drawdown	Trails the account's <i>highest unrealized intraday balance</i> . Every spike upward permanently lifts your drawdown ceiling.	AVOID Broadly regarded as unfair to traders.
End-of-Day (EOD) Trailing Drawdown	Trails only the <i>closing balance</i> at the end of each trading day.	RECOMMENDED The structure pros use.

WORKED EXAMPLE — \$50K ACCOUNT, DAY 1

INTRADAY VS EOD ON THE SAME DAY

Highest intraday unrealized profit	+\$1,000
Actual day-end profit	+\$200
Intraday MDD ceiling after the day	\$48,500
EOD MDD ceiling after the day	\$47,700

Same day, same trades — two completely different floors under your account.

Universal ceiling: regardless of the drawdown type, the drawdown *stops trailing* once it reaches the account's **starting balance**. Grow a \$50K account to \$60K and you'd have a \$10K max drawdown buffer.

3. The Common Rules You Must Read

3.1 THE CONSISTENCY RULE (40% EXAMPLE)

A consistency rule means **no single day's profit can exceed a set percentage of total profit**. Using a 40% rule:

40% CONSISTENCY WALK-THROUGH

Day 1 profit	+\$300
Day 2 profit	+\$500 ← biggest day
Day 3 profit	+\$200
Total profit so far	\$1,000
Biggest day as % of total	$\$500 \div \$1,000 = 50\%$
Total profit needed to satisfy 40%	$\$500 \div 0.40 = \$1,250$

Don't withdraw until the account sits at \$1,250 — then \$500 = 40% exactly.

Source: TCVI research — 40% consistency walkthrough.

Heads-up: don't manufacture a giant winning day just to look consistent — that's not how most winners trade. Either plan ahead, or pick a firm with no consistency rule.

3.2 MINIMUM TRADING DAYS

The minimum number of trading days required to either *pass an evaluation* or *take a payout from a funded account*. Some firms don't have one at all — they let you pass a challenge in a single day.

3.3 NEWS / HIGH-IMPACT EVENTS

Firms will always tell you whether trading during high-impact events is allowed. Read it. Don't assume.

3.4 SCALING PLAN

You typically start the funded account with *fewer contracts* than you had during the evaluation, and gain access to larger size as the account grows. Every firm implements this differently — check the specifics before you commit.

3.5 BILLING CYCLE

- 1. You buy an evaluation on, say, the 10th of the month.
- 2. If you pass before the 10th of the *next* month, you pay nothing more.
- 3. If you're still trading on the 10th of the next month, you get billed again on that date.
- 4. If you fail, you can pay a reset fee to retry immediately — *or wait for the free monthly reset on the next billing date* (unless the firm specifies otherwise).

The bottom line: buying an evaluation is a monthly cost — and that cost *stops the moment you're funded*.

4. The Cost Math — Evaluation vs Personal Account

Prop firms will never offer the same freedom as a personal account. The upside is leverage on capital, not freedom on rules. The math frames it as a simple breakeven:

ARE YOU GETTING A DEAL?

Total cost to acquire \$2,500 of "risk capital"	\$100
Equivalent personal-account deposit	\$2,500
Breakeven attempts	$2,500 \div 100 = 25$ attempts
Spread	\$92 total for a \$2,500 trading account

If you fail 25 times in a row, you weren't ready. But you spent the time learning instead of blowing up a live account on day one.

Critical mindset shift: "The max drawdown is the *true* account size." A \$50K prop account is not a \$50K account — it is a \$2,500-of-real-money account that ignores typical margin requirements. Plan accordingly.

Some traders use firms and personal accounts at the same time; some use payouts to slowly fund a personal account; some skip firms entirely. You're in control here.

5. Operations & Administration

5.1 PLATFORM CHOICE

There's almost always a menu of platforms — and firms are starting to ship their own. You pick the platform during sign-up and receive login details shortly after. Most firms let you upgrade to **Level 2 data** if you need it; normal data is included for the major exchanges.

5.2 SIM → LIVE

After passing the evaluation you're typically put into a **funded SIM stage** — eligible for payouts but still trading simulated capital. Once you've hit a clearly specified goal, consistent traders are moved onto a funded *live* account. Each firm phrases this transition slightly differently.

5.3 TAXES — THE SHORT VERSION

- You are typically **not** an employee of the firm — you're a **sole proprietor**.
- Expect a **1099 tax form** at year-end if you receive payouts.
- Payouts from most prop firms are classified as **self-employment income**, which means **quarterly estimated taxes**.
- Speak to a registered CPA before you try to write off evaluation purchases.

5.4 COUNTRY RESTRICTIONS

US futures prop firms are bound by regulation and cannot accept traders from certain countries. The firm doesn't personally control that. **Do not use a VPN to bypass it.** Check the firm's website to see if you're eligible.

5.5 PICKING A FIRM

Rule of thumb: don't pay more money for *harder* evaluations. **Go with the firm from which you can make the most money.** That's the only thing that matters.

6. Strategy, Sizing & The Growth-vs-Withdraw Decision

6.1 RISK MANAGEMENT IS HALF THE STRATEGY

Regardless of how good your trading is, you will not succeed with firms if you haven't crunched the numbers on position sizing and risk. Many traders pass evaluations in one day *and* over a slow month. Both can work — you need to find yours.

Before risking a dime of evaluation budget, use a **free SIM account** to answer:

- Will you trade micros and stay small, or use the maximum position size?
- How many attempts is it reasonable for you to need to pass?
- What's your opportunity cost — fewer attempts vs faster payouts?
- Are you going for *growth* or *maximum withdrawals* as soon as allowed?

6.2 GROWTH BEATS WITHDRAWAL (USUALLY)

"Making the most amount of money requires account growth rather than withdrawals as soon as possible." Every withdrawal shrinks your balance and pulls you closer to the max drawdown.

But the right answer depends on your goal — **consistent withdrawals for side income** vs making this your **full-time job** are two different plans with two different withdrawals policies. Define the goal before you start the funded account.

6.3 TREATING A PROP FIRM LIKE A BUSINESS

- **Evaluations** = the cost / expense line.
- **Payouts** = the revenue line.
- The **spread** between the two = your profit.

Nobody who's actually profitable from firms hit it on a single account. It takes several attempts and everyone's pass rate is different — that's fine, as long as you're in the black.

6.4 PATIENCE, DISCIPLINE & READING THE RULES

If you have the patience to do the work, the discipline to keep trading a SIM account until you've nailed it, and the willingness to read the rules for your specific firm — there is money to be made here.

Those who want "get rich quick" will be disappointed. Those who put the time in will at least save a ton of time and money — and, very likely, build a real side income or full-time business from it.

7. Pre-Funded Pre-Flight Checklist

Run through this before every evaluation purchase. Trade any unchecked box and you'll be the liquidity for traders who did.

- ✓ I have read *every rule page* on the firm's site — profit target, drawdown type, consistency rule, min trading days, news restrictions, scaling plan, fee schedule, payout cadence.
- ✓ I confirmed the MDD type — **intraday** vs **end-of-day** — and picked EOD where possible.
- ✓ I documented my strategy on a **free SIM account** with the same contract size I'll face in the eval.
- ✓ I have a **pass-rate model** (e.g., 5–25 attempts) and a fixed evaluation budget I will not exceed.
- ✓ I know my **position sizing** in dollar terms, not contract terms — and the MDD is my true account size.
- ✓ I have a **wallet approach** to funded payouts (growth vs withdraw) and matched it to my income goal.
- ✓ I have the right **platform** and **Level 2 data** plan selected before purchase.
- ✓ I checked the **country eligibility** list — no VPNs.
- ✓ I have a CPA conversation queued up for **self-employment / quarterly taxes**.
- ✓ I set my **billing-day calendar alert** — pass before the 10th or plan a reset on the 10th.

The Bank Doesn't Care

Prop firms are difficult, but the traders who succeed put the time and work in — and their bank account doesn't care how the balance gets there.

The rules are the moat. Read them. Do the math. Practice on SIM. Treat evaluations like business expenses and payouts like revenue. The people making money from prop firms aren't louder than the people who aren't — they're just more patient, more disciplined, and more rule-aware.

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