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Compensation if a prop firm fails

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In short: Investor compensation schemes protect clients of licensed investment firms when the firm cannot return their money or investments; the EU minimum is €20,000 per investor. [1] A challenge fee is a purchase, not an investment held for the buyer, so it is not covered. Traders owed payouts by a failed prop firm are ordinary creditors.

Jurisdiction	Compensation	Detail
Australia	None	None. Australia has no general compensation fund for retail derivatives clients; complaints against AFS licensees go to AFCA.
Belgium	None for challenge fees	None for challenge fees or promised payouts. Investor compensation schemes cover clients of authorised investment firms (at least €20,000 per investor under the EU directive) when the firm cannot return their money or investments; a challenge fee is a purchase, not an investment held for the buyer.
Canada	None for challenge fees	None for challenge fees. The Canadian Investor Protection Fund protects clients of member firms of the Canadian Investment Regulatory Organization if the member firm becomes insolvent.
Cyprus	None for challenge fees	None for challenge fees or promised payouts. Investor compensation schemes cover clients of authorised investment firms (at least €20,000 per investor under the EU directive) when the firm cannot return their money or investments; a challenge fee is a purchase, not an investment held for the buyer.
Czech Republic	None for challenge fees	None for challenge fees or promised payouts. Investor compensation schemes cover clients of authorised investment firms (at least €20,000 per investor under the EU directive) when the firm cannot return their money or investments; a challenge fee is a purchase, not an investment held for the buyer.

Jurisdiction	Compensation	Detail
India	None	None.
Italy	None for challenge fees	None for challenge fees or promised payouts. Investor compensation schemes cover clients of authorised investment firms (at least €20,000 per investor under the EU directive) when the firm cannot return their money or investments; a challenge fee is a purchase, not an investment held for the buyer.
Spain	None for challenge fees	None for challenge fees or promised payouts. Investor compensation schemes cover clients of authorised investment firms (at least €20,000 per investor under the EU directive) when the firm cannot return their money or investments; a challenge fee is a purchase, not an investment held for the buyer.
United Arab Emirates	None	None.
United Kingdom	None for challenge fees	None for challenge fees. The FSCS protects investment business of authorised firms, up to £85,000 per person per firm, when the firm fails; challenge fees paid to an unauthorised business are not covered.
United States	None	None. SIPC does not protect commodity futures contracts, and there is no compensation fund for challenge fees.

As of November 2026. “Not confirmed” means we have not yet verified the point from an official source; it does not mean there is no rule. Each jurisdiction's sources are listed in its guide.

Live accounts with a broker

If a trader holds a live account with a licensed broker, the broker's client money rules and any compensation scheme for its clients apply to that account. They do not extend to fees paid to a sister prop firm.

References

1. Official Directive 97/9/EC on investor-compensation schemes . EUR-Lex. Accessed November 2026.

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