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Prop firm license

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Prop firm license	
Also called	Prop trading licence, funded-trader licence (informal; no regulator issues a licence by these names)
Usually needed for	Providing investment services to clients, or dealing on own account outside the exemptions
Usually not needed for	Simulated evaluations, as regulators currently read the law in most jurisdictions covered here

In short: No jurisdiction covered here issues a licence designed for evaluation (funded-trader) prop firms. A licence is needed where a firm provides investment services to clients, for example executing their orders, or deals on own account outside the exemptions; in the EU an investment firm licensed to deal on own account needs €750,000 initial capital. [1] [2] Several regulators have warned the public about paid challenges. [3] [4] [5]

"Prop firm" is used for two very different businesses. A **traditional proprietary trading firm** trades its own money in real markets and employs or contracts traders to do it. A **funded-trader or evaluation firm** sells paid challenges, usually on simulated accounts, and pays traders who pass a share of the profits shown on a simulated or replicated funded account. When people ask whether a prop firm needs a licence, they usually mean the second kind.

Three business models

- **Evaluation (funded-trader) firm** – revenue comes mainly from challenge fees. Trading is simulated, so no client orders reach the market. Regulators in Spain and the Czech Republic have said such models are outside their scope or need no authorisation, while Italy and Belgium have warned the public about them. [3] [4] [5] [6]

- **Own-account trading firm** – trades the firm's own capital. In the EU and UK it may be exempt from MiFID, or need an investment firm licence if it is a market maker, uses high-frequency algorithmic trading, has direct electronic access to a trading venue or executes client orders.[1] [2] [7] See Dealing on own account.
- **Prop firm linked to a broker** – a prop brand next to a licensed broker or introducing broker that offers live accounts. The broker is licensed; the challenge usually is not. See Prop firms and brokers.

By jurisdiction

Jurisdiction	Regulator's position	Licensed route	Capital
Australia	Monitoring (reported, 2024)	No licence for evaluation-only programmes as such	Depends on licence
Belgium	Public warning	No licence for evaluation-only (simulated) programmes as such	€750,000 (own-account investment firm)
Canada	Enforcement action (2023)	No specific regime	Not confirmed
Cyprus	No formal position	No licence for evaluation-only (simulated) programmes as such	€750,000 (own-account investment firm)
Czech Republic	Demo-only models outside scope (reported)	No licence for evaluation-only (simulated) programmes as such	€750,000 (own-account investment firm)
India	Advisory against (2024)	No licence for retail funded-trader platforms. Residents may trade securities only through SEBI-registered intermediaries, and forex only with RBI-authorised persons on permitted terms	Not applicable
Italy	Public warning (2024)	No licence for evaluation-only (simulated) programmes as such	€750,000 (own-account investment firm)
Spain	Warning; outside CNMV scope	No licence for evaluation-only (simulated) programmes as such	€750,000 (own-account investment firm)

Jurisdiction	Regulator's position	Licensed route	Capital
United Arab Emirates	Not confirmed	No licence for evaluation-only programmes as such	Varies by regime
United Kingdom	No policy; warnings on some firms	No FCA authorisation for simulated evaluations as such	£750,000 (own-account investment firm)
United States	Enforcement case dismissed (2025)	No licence for simulated evaluations as such	$45,000 (independent introducing broker)

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.

What a “regulated” claim proves

A prop firm's website may say it is “regulated” because a group company holds a broker licence, because its payment provider is regulated, or because it is registered as a company. None of these means the challenge you buy is supervised. Check the exact legal entity you pay against the regulator's own register, and read How to check a prop firm.

Frequently asked questions

Do prop firms need a licence?

Not for simulated evaluations as such, in the jurisdictions covered here. A licence is needed where the firm provides investment services to clients or deals on own account outside the exemptions.

Is it legal to run a prop firm without a licence?

In most jurisdictions covered here, an evaluation-only business is not licensed as such, but it must still comply with consumer, AML, sanctions, data protection and tax law, and regulators can act if they consider a scheme to be unauthorised investment business or fraud.

References

1. Official MiFID II Article 2: Exemptions (Interactive Single Rulebook) . European Securities and Markets Authority. Accessed November 2026.
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4. Official Press release of 8 July 2024: Beware of online trading "video games" . Consob. Accessed November 2026.
5. Official The FSMA warns consumers against shadow investment game . FSMA. Accessed November 2026.
6. Demo Account Prop Trading Platforms Do Not Need Authorisation: Czech Regulator . Finance Magnates. Accessed November 2026.
7. Official PERG 13.5: Exemptions from MiFID (own account dealing, Q39 to Q40C) . FCA Handbook. Accessed November 2026.

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