The Costs of CFD Trading

Idea In Short

Most traders spend far more time picking which assets to trade than working out what a trade actually costs them, partly because broker marketing rarely puts cost at the forefront of CFD trading. Once the fees are broken down, though, they turn out to be anything but a footnote: they are a core component of every trading result. CFD costs are not complicated in isolation, but a given trade can carry several charges at once, and those charges are not always visible in the same part of a trading platform. This guide walks through the four cost components that show up in most CFD accounts, spreads, overnight financing, commissions, and administrative charges, in plain terms so traders can compare brokers on a like-for-like basis rather than on whichever number a homepage chooses to highlight.

The majority of traders invest a lot of time pondering which assets to trade and very little time considering how much a trade is costing them. It makes sense – most of the marketing done by brokers doesn't put the cost at the forefront of CFD trading. However, once you see how the fees are broken down, it's easy to see that they're not exactly a footnote. They are an essential component of each and every trading result.

In isolation, CFD trading costs are not complicated. The problem is that in any given scenario, there may be multiple different charges, and they may not all be apparent in the same section of your platform. Each of these costs (spreads, overnight fees, commissions and a few admin fees) is explained in a clear and practical way that will ensure you can compare when choosing a broker.

Understanding the CFD Cost Framework

When you open a CFD trading account, the first concept you'll need to grasp is that the cost model is different from a traditional brokerage account. CFDs do not carry the same stamp duty and exchange transaction fee as traditional exchange transactions since there is no physical transfer of ownership of the underlying asset. That comes at the price of a different, tiered structure – depending on the broker, the instrument and the length of your investment.

CFD trading fees usually consist of the following four components:

- The spread
- The daily fee for maintaining a leveraged position, also known as overnight financing charges
- Direct commissions (some brokers charge per trade)
- Administrative charges (inactivity charges, conversion fees etc.)

The first step to a proper broker comparison is to understand which mix is applicable to your account. Not every broker charges all four the same way, so the sections below break each one down.

The Spread: The Cost Built Into Every Quote

Each time you open a CFD position, you're starting from a disadvantaged position. The spread is the difference between the price you buy at (ask) and the price you sell at (bid) which indicates how much the market must shift in your favor in order for the trade to break even.1 It is the most obvious expense when trading CFDs, and it is the main source of income for a broker with a spread-only pricing model. Every trade pays this cost on entry, whether held for seconds or weeks. The two sections below cover how spreads behave over time and across instruments.

Fixed Spreads vs. Variable Spreads

Fixed spreads don't fluctuate according to market conditions. Variable spreads, however, are narrower on days of good liquidity and significantly wider on news days, session open, and during the quiet overnight periods. The spread of a major pair, such as EUR/USD, may be 0.7 pips at the London-New York overlap and 3-4 pips at the time of a central bank policy announcement. There is no better or worse model, it just depends on the trader when and how often he/she is trading. A trader active during high-liquidity hours may find variable spreads cheaper.

How Spreads Vary Across Instruments

These can vary widely across asset classes. The following are general guidelines for common CFD categories:

- Major forex pairs (EUR/USD, USD/JPY): 0.5-1.5 pips (accounts with variable spread)
- Minor and exotic forex pairs: 2-10+ pips depending on the depth of the liquidity
- Major stock index CFDs (S&P 500, FTSE 100): 0.5-1.5 index points
- Individual equity CFDs: usually 0.10%-0.30% on each side of the trade based on the share price
- Commodity CFDs (crude oil, gold): around 0.30-0.50 per troy ounce
- Cryptocurrency CFDs: typically 0.5%-2%, often one of the highest per transaction
- Government bond CFDs: typically 2-5 ticks depending on the length of the bond and the country of issue

The ranges are indicative and will not be specific to a broker. The actual spread varies according to the market conditions and session times. Comparing a broker's published spread against these general ranges is a useful first check before opening an account. Cryptocurrency and exotic forex pairs tend to carry the widest spreads on this list, worth remembering before assuming every instrument costs the same.

Overnight Financing Fees: What Happens When You Hold a Position

An overnight financing adjustment may apply if you keep a CFD position open overnight (usually 10 PM GMT, but this varies by broker). This fee, also known as swap rate or rollover fee, is one of the most misunderstood fees of CFD trading. It doesn't matter for those who are just trading intraday, however, if someone is holding positions on a time frame more than a session, it is more and more important. The next few sections cover what the charge represents and how it is calculated. Understanding this fee matters as much as understanding the spread for a longer-term position.

What the Fee Actually Represents

Overnight fees are due to the use of leverage in CFD trading. In essence, the broker is lending the money that you don't have for the part of the trade that you don't have. The overnight charge is based on the cost of that credit and is applied to the interbank benchmark rate (e.g., SOFR for USD-denominated positions or EURIBOR for eurodenominated positions) plus the broker's own charge.[2] That markup is where the broker's own margin sits, on a rate neither side controls. An intraday trader rarely sees this charge; a swing trader feels it directly.

How the Calculation Works

Most brokers put their charges to trade into one of the following formulas:

$$Daily\ Fee = \frac{Position\ Size \times Current\ Price \times (Benchmark\ Rate + Broker\ Markup)}{365}$$

To put that into perspective: a $10,000 leveraged stock CFD account with a combined annual rate of 7% would result in approximately $1.92 worth of financing charges per day. That adds up to about $58 over a month, and that's cost that you're incurring whether or not the position has shifted in your favor. The formula shows why position size and holding time matter more here than trade direction. Two identical positions held for the same period pay the same charge regardless of who is right. Running the numbers before opening a position is the only way to know the actual cost.

The Wednesday Triple Swap

For some instruments and providers, a multi-day financing adjustment may be applied on a particular weekday to account for weekend financing. The timing and calculation vary. This is for the settlement period on Saturday and Sunday, during the weekend when markets are closed, but financing is still in effect. One of the more frequent mistakes of new traders is leaving a position open without documenting it in the middle of the week. Checking the adjustment day in advance is worth it.

Swap-Free Account Structures

Swap-free accounts - which are aimed at traders who do not wish to be charged any interest-based swap rates due to their religious beliefs - do not mean the end of the financing cost. Brokers make up for it with higher spreads on eligible instruments, administration fees that become flat after a certain holding period, fixed fees per night after a certain amount of days, etc. The structure changes, but the fundamental expense remains. A trader choosing a swap-free account should still compare its total cost against a standard account rather than assume it is cheaper. Checking which instruments qualify as swap-free is worth doing.

Why Overnight Fees Matter More Than Most Traders Expect

Overnight fees may be more important than the spread for positions that last for more than a couple days. The FCA has published research that has highlighted the impact of financing charges on the outcomes of retail CFDs is greater than is often recognized in introductory retail CFD trading material, especially where trades are kept open for longer than originally intended.3 A dimension that doesn't always receive the attention it deserves from companies that promote their services. Estimating the financing cost before holding a position for several days closes most of the gap between expected and actual return. It is worth doing before, not after, the trade.

Commission-Based Accounts: Different Logic of Pricing

Not all brokers include all their income in the spread. Some of these, particularly those geared more toward more active traders, will offer spreads that are tighter or even raw and charge a direct commission on each trade.4 Whether this will be more cost-effective is largely dependent on trading frequency and position size.

Common structure of commissions is as follows:

- Forex CFDs: $3-$7 per 100,000 units (one standard lot) of base currency (per side)
- Equity CFDs: 0.08% to 0.15% of the total trade value (per side)
- Index CFDs: $1-$2 per side, per contract

The figure to compare is the total round-trip cost, which includes commissions in and out and spread (or near-zero spread). Depending on the size and frequency of the trades, a raw spread of 0.1 pips plus $6 per side may be cheaper than a 1.2 pip with no commissions. The simplicity of a spread-only account can sometimes be a better choice than a commission account for a trader who trades occasionally.

Additional Charges That Tend to Go Unnoticed

Beyond the spread, overnight financing, and commissions, smaller charges can still add up over the life of an account. These rarely appear in broker advertising, since they apply only in specific situations. That makes them easy to overlook when comparing platforms. Inactivity fees and currency conversion charges are the two most common examples, covered below. A full comparison should include these too.

Inactivity Fees

Frequently, dormant accounts will be charged a monthly fee by most brokers after a 3-12 month period of inactive trading. These cost from $10 to $25 a month and are deducted from the account balance. The dormancy threshold and monthly amount will depend on the broker and this information is not always made clear when setting up an account. A trader expecting a pause in activity should check this figure before it becomes a surprise deduction. Withdrawing funds from an account that will sit unused avoids the charge.

Currency Conversion Charges

If the currency which the CFD is opened in is not the base currency of the account, the broker will convert the resulting profit or loss and will typically add a margin of 0.5%-1% above the interbank rate. This is an expense that most frequent foreign instrument traders should take into account when comparing. A trader mostly holding instruments in their account's own currency will rarely notice this cost, but it adds up for anyone trading several currency pairs. Checking the exact markup beforehand is worth doing. Over many trades, it can become a meaningful share of total costs.

Before you sign up for any site, it is beneficial to check out:

- If dormancy fees are being charged, the length of the dormancy period and the monthly fee
- How the currency conversion markup is applied and when it is disclosed in the broker's documentation
- Deposit and withdrawal fees by payment method (Credit cards can have 1.5%-2.5% in Charges)
- If GSLOs are available with a premium charge when they are executed
- Margin changes that occur on weekends or during periods of high volatility and which could impact position costs

Broker Pricing Models at a Glance

The table below outlines the typical differences in cost elements among the three types of broker pricing structures. These are indicative ranges only – actual ones will depend on the broker, the instrument and the market.

Cost Element	Spread-Only	Commission + Tight Spread	Raw Spread + Commission
EUR/USD Spread	1.0-1.5 pips	0.3-0.6 pips	0.0-0.2 pips
Commission (per lot)	None	$3-$5 per side	$6-$8 per side
Overnight Financing	Standard swap	Standard swap	Standard swap
Typical User	Occasional traders	Active traders	High-frequency traders
Cost Transparency	Moderate	Good	High

There is no one model that is generally superior. It will vary based on your trading frequency, the financial instruments traded and the holding period. Matching the model to your trading style keeps costs down.

Understand How to Read Fee Disclosures Accurately

Some presentation of costs is quite complicated and depends on the broker. Spreads published are often based on "best market conditions" and not typical market conditions. Benchmark rates may not be clearly explained when used as a reference for overnight rates. Better Finance – the European Federation of Investors and Financial Services Users – reported in 2024 that there continued to be inconsistencies in how retail investment platforms in EU member states disclosed charges, making it hard for the average retail investor to compare costs.5

Under FCA UK and ESMA EU regulations, there are standardized cost disclosures, but there are still varying degrees of practical clarity between platforms. A homepage headline is not as good a measurement by which brokers can be compared as the key information document (KID) or the standardized costs-and-charges statement.

Closing Thoughts

CFD trading fees are not all from one place, but spread, overnight financing, commissions, and various elements of administrative charges are all applied. Each of these is under control once known, and none of them can be safely neglected. The total cost of a position is not always the spread; the more time that is spent on a trade, the more apparent this will become. Building all four categories into a comparison from the start avoids surprises later.

When comparing your brokers, consider all cost categories, as opposed to just the most prominent one, to get a much more accurate idea of your actual total cost over time.

Disclaimer

This article is intended to be informative and educational only. It is not financial advice, nor is it a suggestion to trade any financial instrument, nor is it an invitation to open a trading account. It is important to remember that CFD trading is highly volatile and may not be suitable for all investors. When trading on leverage with CFDs, a substantial percentage of retail investor accounts make losses. History is no guarantee of future performance. The data presented in this article is based on the general market, and the terms of any particular broker are not applicable. Please read a broker's complete fee schedule and full terms and conditions prior to opening a broker account or depositing funds. If you think CFD trading is not right for you and your personal financial circumstances, get independent advice from a regulated financial professional.

- 1Understanding bid-ask spread in trading
- 2Secured Overnight Financing Rate data
- 3Multi-firm review of contracts for difference providers' provision of price and value
- 4What is CFD trading and how does it work?
- 5ESMA agrees to prohibit binary options and restrict CFDs to protect retail investors

Summary

CFD trading costs come from several places at once rather than a single line item, and spread, overnight financing, commissions, and administrative charges each play a role that depends on how a position is traded and held. None of these costs are hidden once a trader knows to look for them, and none can be safely ignored, since the longer a position stays open, the more the financing side of the bill tends to dominate the spread. Reading a broker's key information document or standardized costs-and-charges statement, rather than relying on homepage headlines, remains the most reliable way to see the full picture.

Comparing brokers on every cost category, not just the most visible one, is what actually reveals the real cost of trading over time.