

29 November 2021

Retail Complex Products and Investor Protection  
Market Supervision  
Australian Securities and Investments Commission  
GPO Box 9827  
Brisbane QLD 4001

By email: [Market.Supervision.OTC@asic.gov.au](mailto:Market.Supervision.OTC@asic.gov.au)

Dear Retail Complex Products and Investor Protection Market Supervision Team,

**Re: ASIC Consultation Paper 348 Extension of the CFD product intervention order (“CP 348”)**

Pepperstone (“**Pepperstone**”, “**we**”, “**us**”, “**our**”) makes this submission in response to whether the ASIC Corporations (Product Intervention Order—Contracts for Difference) Instrument 2020/986 (“**CFD Order**”) should be extended.

We have reviewed the submission prepared by the Australian CFD and FX Association (“**Association**”) and would like to express our support for the submission and position taken by the Association.

For the reasons set out by the Association, we agree that the CFD Order should not be extended. However, should the CFD Order be extended it is crucial that there be a carveout allowing experienced investors to trade at higher leverage levels.

In addition to the points raised by the Association, we would like to comment on the percentage of loss-making accounts observed by ASIC (**CP 348, Table 7**). In the three-month period from 29 March to 30 June 2021, ASIC has said that 50% of Retail accounts and 63% of Wholesale accounts were loss making. This is not consistent with our clients’ statistics. For the first two quarters following the introduction of the CFD Order, the loss rate for Pepperstone Retail clients was over 60% in each quarter. Also, the difference between Pepperstone Retail and Wholesale clients’ loss-making accounts was far less than observed by ASIC (only 3-5% difference). We are interested in further exploring the apparent disparity between the data collected by ASIC and what we have seen at Pepperstone. We would also add that client loss rates have not been materially impacted in any discernible way across the multiple regulatory environments we operate in with different leverage ratios. In simple conclusion, we see no statistically relevant correlation between restricted leverage and loss ratios when sampled over a longer period of time.

Finally, consistent with the Association’s submission, many of the processes that were implemented as a result of the CFD Order were merely formalising existing informal

business practices. On that basis, we do not anticipate any significant costs of 'unwinding' should the CFD Order not be extended.

Should ASIC have any questions, we would be happy to be of further assistance.

Yours sincerely,



Tamas Szabo  
**CEO**  
**Pepperstone Group Limited**