



cTrader Best FX
Trading Platform



THE INTERNATIONAL CERTIFICATION NETWORK
SECURITY MANAGEMENT
SYSTEM CERTIFICAT
ISO/IEC 27001:2013
Cert. No. ISMS.17.004

**OTC Intermediary Compliance
Market Supervision
Australian Securities and Investments Commission**

We welcome your invitation for the opportunity to provide our unbiased feedback on Consultation Paper 322.

Our feedback is divided into succinct Material and Immaterial commentary on the Conditions suggested, concerning the cTrader platform as developed by Spotware.

1. Leverage ratio limits

Technology impact on Spotware cTrader	Immaterial
Change requested	N/A

Comments:

- A. In our belief, it is not leverage that makes some investors lose in their trading, but not managing risk. For instance, the same happens in leveraged equities trading. Whereas disposition effect is of greater importance in investor behaviour than leverage. Unlike other platforms, cTrader warns users limiting their profits and not limiting losses.
- B. There is a tremendous value to some retail investors in being able to capitalize on market movements in an amplified manner via CFDs. Risk warnings and reporting are enough to make sure that only those investors who see value in this actually on-board with a broker.
- C. As we work globally, we see that Australian brokers don't use cold-calling and other marketing practices known to bring in retail investors who are unaware of the nature of leveraged trading. Leverage caps will make them less competitive globally, but won't help the industry in general.
- D. Client classification may be a better way to ensure that only those investors who are aware of the nature of leveraged trading can on-board.



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- E. Introducing greater leverage caps than the ones introduced recently by ESMA is simply not needed. It won't provide additional value to the investor, but will harm local Australian business by making other jurisdictions more attractive to investors.

2. Margin close-out protection

Technology Impact on Spotware cTrader	Immaterial
Change requested	N/A

Comments:

- A. With cTrader brokers can easily define their stop-out levels.

3. Negative balance protection

Technology Impact on Spotware cTrader	Immaterial
Change requested	N/A

Comments:

- A. Some brokers globally have introduced this measure at their own will, so we're inclined to believe it won't have a material impact on the industry. But because the markets are relatively liquid and stop-outs are fully automated, the value of this measure to the investor is almost negligible, providing extremely rare black swan incidents like the SNB January 15, 2015, in which case some brokers may go bankrupt.

4. Prohibition of inducements

Technology Impact on Spotware cTrader	Immaterial
Change requested	N/A



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Comments:

- A. We believe a differentiation needs to be made here between (1) a local resident investor inducement, which needs to be regulated similarly to independent financial advisors in the funds' management industry and (2) foreign resident investors, where brokers need to comply with local regulations.

5. Risk warnings

Technology Impact on Spotware cTrader	Material
Change requested	Please consider removing risk warnings in trading platforms.

Comments:

- A. On the one hand, we fully support the need to make sure brokers on-board only those clients who understand the nature of leveraged trading. On the other hand, we strongly believe there is no room in our trading platform for any non-execution related material. It is the on-boarding and marketing materials that must provide risk warnings, not the platform. A trading platform is a working environment for the already on-boarded investor. We provide pixel-perfect trading environments, where every inch of screen real-estate matters.

6. Real-time disclosure of total position size

Technology Impact on Spotware cTrader	Material
Change requested	Please consider changing the condition as suggested below.

Change requested:

Providing we understand the condition correctly, please consider changing the wording provided in Consultation Paper 322 from "... *total position size in monetary terms for all open CFD positions...*" to "...*total position size in base asset terms for all open CFD positions per position...*" (to avoid i.e. situations with gold positions, measured in ounces; to avoid possible



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misunderstanding that an aggregate account position value is needed, which makes no sense) and the wording provided in Attachment 2 from “...total notional value, calculated and updated on a real-time basis...” to “...total notional value in base asset terms per position...” (because notional value of positions is static).

Comments:

- A. Based on our limited understanding of this proposed condition, we assume that you are referring to other legacy trading platforms intentionally hiding position sizes behind “Lots”, something cTrader does not do. See below example.

Symbol	Quantity	Volume	Director	Entry Price	Commiss..	Created (UTC+0)	Swap	Pips	Gross €	Net €
AUD/USD	0.01 Lots	AUD 1 000	Sell	0.67739	-0.02	25/09/2019 10:50:42	0.00	-0.6	-0.05	-0.09
WTI	0.01 Lots	10 Barrel	Sell	56.605	-0.01	25/09/2019 10:49:53	0.00	-6.0	-0.55	-0.57
GBP/USD	0.01 Lots	£ 1 000	Sell	1.24311	-0.03	25/09/2019 10:47:45	0.00	-1.2	-0.11	-0.17
XAU/EUR	0.02 Lots	2 Oz	Buy	1145.00	-0.08	01/03/2019 16:38:13	-1.80	24.56...	491.34	489.38

7. Real-time disclosure of overnight funding costs

Technology Impact on Spotware cTrader	Material
Change requested	Please consider making this condition obsolete.

Comments:

- A. To the best of our knowledge, in particular with our Australia based clients, swaps are not an area of abuse by brokers. We have not seen fixed swap rates in the industry. Naturally, swaps are often paid in favour of an investor.
- B. Annualizing interest swaps in something that will not help safeguard investors interest. On the contrary, due to interest rates volatility, we may find ourselves seriously misleading investors. In an extreme scenario, an estimated positive annualized rate may in fact turn out to be negative.
- C. Both swap rates per trading instrument and actual accrued swap amounts per position are clearly indicated in cTrader since inception.



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8. Transparent pricing and execution

Technology impact on Spotware cTrader	Immaterial
Change requested	N/A

Comments:

- A. We agree with this condition. In fact “Extreme Transparency” and “Traders First” is the principles Spotware cTrader. We’ve gone to extreme measures in this regard. Our motto is “Traders First”, we are offering solutions that are fair to every stakeholder of the industry. We offer our platform as a hosted solution and thus we:
- Don’t allow brokers to inject their own live prices or manipulate price feeds.
 - Don’t provide direct access to the retail traders or trade database.
 - Don’t allow the use of plugins or automated scripts to run on the trading server.
 - Don’t allow connection to non-reputable price sources.
 - Monitor our brokers and receive retail traders’ feedback directly through the platform.

If we find that a broker has attempted to manipulate traders in any way, we issue warnings or shut down cTrader to protect traders from the malicious broker.

Spotware remains at your disposal for any additional information that can be of use in your evaluation.

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