

## Submission

During the disruptions caused by the COVID-19 pandemic our therapeutic and financial counsellors in the gambling team have seen an increasing trend in the number of clients who are impacted by gambling harm due to the use of these investment products. These clients differ from those we have seen in the past as they have **not** experienced gambling related harm via traditional gambling; but are using investment products that is resulting in the same harm. Clients presenting during this time have used trading platforms in a traditional manner and have changed behaviour to that which resembles gambling to recoup losses incurred in a period of market volatility.

Over the last 6 months we have seen a number of clients which have entered into the market or changed trading patterns as a result of the financial circumstances they are faced with due to COVID-19.

The numbering used below has continued from prior submission.

### Case 1: Client F

F is an educated person with health qualifications. He is self-employed recently moving into his own business.

He has undertaken education on the trading and it has become his area of focus. He engaged with a leveraged trading platform a year ago making affordable trades of \$1 – \$2,000. He had made modest profits reflecting modest investments.

During COVID-19 lockdowns F found he was not eligible for income supports and saw trading as a way to supplement his reduced income.

While F understood the risks he was increasingly focused on the upside and mentally down played the risk of losses. This led to F taking more risks and placing larger trades. Following some initial success losses began accumulating and F spent his saving buffer and borrowed money in an attempt to trade his way out.

Somewhere along the way F began to take more risks, the trades became more speculative and he was putting in more money to try and win back what he had lost.

It is these actions which highlight the similarities in the behaviours of some people engaged in trading to a person experiencing gambling harm.

### Case 2: Client G

On presentation G was adamant he was “not a gambler or a sick person” expressing concern that he was seeing a financial counsellor based in a Gambler’s Help service. G was very proud of his academic achievements and his normally mid-range 6 figure income earning capacity.

G is a highly educated man with qualifications in business management and finance. The family had a high asset to debt ratio with a family home and investment properties along with good cash on hand.

Very early in COVID-19 G was made redundant and while he was confident of obtaining a new position this was proving more difficult than he initially imagined. G was using his savings to meet the family needs and debt repayments.

As he watched his savings reduce G began to investigate CFD Trading. An initial trade as recommended by the platform saw an almost unbelievable return on investment. This first trade was in early May 2020.

By the second week of June 2020 G had “gambled” all of the family savings in excess of \$380,000 on CFD Trades with the support of his account manager at the Trading Platform.

G was not required to undertake any initial training on a “dummy” account to gain an understanding of the process, however, the company did state on their website that CFD trading was a high risk investment strategy.

It became clear to G, after losing all his cash reserves, that his account manager was not an expert in stock market movements and now felt more like a sales person.

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As indicated in the stories above those impacted by gambling harm may have the education and skill to work with these products however adverse outcomes can see an escalation in risk taking behaviour. This risk-taking is not limited to retail investors and can be experienced by investment professionals. This requires those investing on behalf of others or making recommendations on these products to be subjected to oversight to protect the savings of investors.

As recognised in our earlier submission this poses a challenge for regulators. A balance needs to be found which limits harm to those without the skills and experience to use these investments while enabling them to continue to be used by those with a genuine need to hedge against currency and market movements.

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