Feedback

From: Aakash P [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Thu, 12 Sep 2019 09:29:40 +1000

Hi,

In light of the proposed restricitions on leverage for fx, I believe it is a smart move to protect retailers. However, the proposed maximum leverage of 20:1 is far too low. I am certain that most retailers would prefer to have at least a maximum of 100:1 leverage. It would help retailers new and old alike to have better positions and returns when they do not have high capital to trade with.

Thank you for listening,
Aakash Patel

Get [Outlook for Android]()

ASIC Consultation Paper

From: Aashir Akram [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Wed, 18 Sep 2019 11:22:56 +1000

Dear ASIC,

I have read your proposals to introduce new legislation to the forex market. I understand that these are in order to protect retail traders, however as a retail trader myself, I think it is important that with things such as leverage are something which someone should understand the risks of themselves before trading rather than being imposed a restriction. I do not agree with all the proposals especially the leverage restrictions, this will heavily rule out many retail clients and lower liquidity in the market. Isolating money making to people with large accounts. Leverage can be beneficial if used correctly.

Thank you,

Aashir Akram

Leverage Changes - Complain

From: Adam Greene [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Thu, 12 Sep 2019 20:19:58 +1000

Hi Asic,

These proposed changes with regards to reducing leverage available to retail clients will completely devastate my livelihood. I am a self-employed trader and am consistently profitable at current levels.

Realistically if such things come into effect, I'll have no reason to remain in Australia and will take my work elsewhere, thus packing up my family, house etc and seeking a residence elsewhere that is applicable to me.

I understand that there is a select few people that do get the bad end of such things however we should realize that education is more important than blanket bans across the sector.

I trust you to take this on board and implore you to reconsider your position on the huge reduction in leverage on currency/CFDs going forward.

Yours Sincerely,

Adam Greene

Feedback

From: Adam Novek [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Thu, 12 Sep 2019 14:40:05 +1000

Dear ASIC,

Thank you for your concerns for retail CFD consumers like myself and I appreciate attempts to protect retail clients from self destructing.

I wanted to express my feedback as someone who trades retail CFDs every day for a living and I have been trading for over 5 years in multiple derivative and cash markets with multiple brokers.

I would like to give my feedback on some of the specific conditions that I think I can add value to or encouragement and directly impact me.

Binary Options
I agree with the following statement:

> (iv) the inherent structural design flaws are confusing and make them unsuitable as an investment or risk management product for retail clients—we find their characteristics are akin to gambling.

Binary options aren't like traditional options where your profit potential is unlimited and losses are limited. Instead, your profit is usually limited to less than what you are risking and this creates a negative expected return. This makes it like gambling especially because the provider dictates how large the win can be. A provider may argue that there is skill involved in timing the market but binary option products are designed to put a retail client at a disadvantage.

Because of this they are unsuitable for retail traders and belong with betting agencies not with brokers.

I support a ban.

CFD Leverage
In relation to F1Q1, ASIC seems to be focusing a lot on leverage which is a legitimate concern but reducing FOREX leverage to 20:1 is ridiculous and would destroy my trading business's returns.

In relation to reasons given for leverage limits for page 49, point 172, ASIC has not taken into account the ability for trading business's to get ahead and make substantial returns with high leverage. You're damaging chances of a retail client becoming a wholesale client with a drastic measure like this.

I use 500:1 leverage which is probably not necessary but 200:1 should be available to (experienced) retail clients like myself if you are going to put a cap on leverage. I need descent leverage to trade multiple positions and put on large risk for good opportunities. When I put on large positions through large leverage I am risking a maximum less than 8% of my account, not 100% like it is made out in your report. I trade CFDs to take on risk to make exceptional returns and I do not want to be treated with kitten gloves through low leverage caps.

Focus must be on limiting risk and not limiting earning potential. Retail clients should be able

to put on whatever size they wish but could be restricted on the amount of losses they can endure with large position size and/or cumulative losses in a period of time e.g. max 20% loss of account size in 24 hours.
Please do not focus on clients losing their initial investment for a trade because you could put up $1 for a $500 position for a $1000 account size. If you lose $1 or $2, even though you lost more than your initial investment for the trade it isn't a big loss compared to the account size. Please focus on the net loss to the account.

Do not limit losses to funds invested in a trade as this is not how you manage risk with leverage products. Risk is managed proportional to the size of the account and not to the amount of margin you put up.

I frequently lose more than my investment in a trade but I am still consistently profitable so high leverage equals loss is just not factual.

Please note that there are sore losers and pests in the retail client space and complaints about losing are frequent and not reasonable. A bit of personal responsibility goes a long way.

Counterparty risks should not flow onto other clients because each account should be segregated anyway.

ASIC, correlation does not equal causation. Unless I have read these studies wrong, they highlight retail clients lose money less quickly with lower leverage. Which is common sense. The true problem for retail clients is being consistently profitable and high leverage is the powerful sword you wield when you know what you are doing. Within the majority of losers blowing up their account, the problem lies within the following:

- Detrimental losses are mostly the result of retail trading being just very difficult just like a normal retail business. Most of the time retail clients don't even treat trading as a business or aren't realistic about their abilities. Most retail clients don't invest money and time in getting experience on a demo or in live trading, education, equipment or R&D in the industry and instead have no plan, no edge and don't shop around for brokers. Trading successfully goes against natural human instincts to let losses run (fight) and cut profits short (flight) and the trading journey is about overcoming these obstacles. Trading is therefore hard, expensive to master and competitive no matter how much regulation there is on leverage.
- Retail traders constantly ignore free and quality education and warnings about risking too much on bad trades.

This has not only been my experience as a trader but the experience of all successful traders too.

No study was made on the effect of small leverage caps to profitable traders and whether lower leverage lowered their returns.

With the brokers I have been with you can also choose your own leverage to suit your needs. Decreasing leverage options for retail clients is noncompetitive for Australia.

Possible Leverage Solutions
All brokers offer demo accounts. For new clients to CFDs they don't understand leverage. Many get straight into live trading and they don't understand sizing and their first trade they lose 90% of their account in 5 minutes. Then they complain to you guys.

I suggest to prevent this there could be a compulsory minimum 1 month training or probation period on a demo account with a minimum of 30 practice trades before live trading is allowed by the CFD provider. This could be monitored by the broker and they can be cleared for trading when they have this minimum experience. Traders who can prove that they have traded CFDs within in the last year, with for example broker statements, should not need to go through this probation period with a new broker.

This way ASIC is not capping earning potential and trade size flexibility with leverage caps and also protect new traders though compulsory experience.

Price gaps are the biggest risk to high leverage accounts which is why I support negative account protection. This policy limits losses of retail clients and not their earning potential.

Conditions 5-8 will increase the risks for CFD providers and likely result in providers lowering their margin requirements anyway to reduce their own risk of loss.

I could support a reduction in leverage from a maximum of 500:1 to 200:1 but that is as low as it should be. Any lower would damage my business and not actually fix the problem of consistently losing retail clients.

CFD Costs

There needs to be more education and understanding of slippage within the industry. Retail clients do not understand that slippage occurs frequently. It is hard to distinguish between spread and slippage so banning flexible spread charges (on top of liquidity related spread) by brokers I would support.

Complaints can arise because some retail clients blame their broker for charging more spread when it was only slippage. The CFD provider is not making money from slippage or does not control slippage. Faster connection speeds and automated trading can help mitigate slippage but this is a real cost of trading that retail clients do not take into account when trading, contributing to their poor performance.

I strongly agree that there needs to be more transparency when it comes to what brokers charge. If a broker charges flexible spread they can artificially widen the spread while you are holding a trade. This lacks transparency which is why I trade with brokers that charge commissions only. Flexible spread charges in my opinion should be banned as the commission pricing or fixed spread model is more transparent. Obviously this would not include spread widening because of liquidity issues. The future of the CFD industry lies with ECN and DMA providers because costs are more transparent and what you are trading reflects actual market conditions. Hard to complain that the broker screwed you with spread charges in this case. I think you will find less complaints if all brokers were ECN or/and DMA.

Many traders lose money because of costs. More competition is needed to drive down costs.

In regards to the following:

> 117 We have found that the amount of overnight funding costs that can be imposed are often not clearly disclosed by CFD issuers and not fully understood by retail clients. During a surveillance activity, we observed that some retail clients incurred excessively high overnight funding costs for certain CFD positions.

This is an important issue that you're addressing.

Overnight funding rates must be quoted in real time, not be excessive and not change while the market is closed or within an hour of it being charged. Estimates of how much you will be charged on your position in dollars could be given before the market is closed so you know how much is being charged. This is addressed in condition 7 and it is almost like you stole my idea (haha).

Retail clients underestimate the costs of making a trade or don't take into account slippage when making a trading plan. Without a strong enough edge, they will lose in the long run. Conditions 5-8 are fantastic for helping with this.

CFD Rebates and Offers
In relation to F1Q1 and inducements, I would like to bring your attention to an example of how rebates can protect retail clients.

When I was new to automated trading I didn't properly code one of my strategies or test it to make sure there weren't any errors. This was totally my fault.

My algorithm traded over 200 times in 5 minutes and I had lost nearly $6000 on a $16000 account. $5000 of the loss was commission charges from the broker. I was a new client and I didn't have much history with the brokerage firm so they really didn't owe me anything for customer loyalty. I asked my broker anyway what they can do to mitigate what happened. They offered to rebate $1100 plus $600 of commission free trading.

I accepted this offer and it allowed me to make back all of my money plus $1000 in the month after this event. Trading without costs puts the odds of making money drastically in your favour and brokers offering this is an advantage.

If you regulate against rebates and free brokerage offers for high trading volume then I may not have had this good outcome.

A problem that I see with offering rebates is that brokers may only offer them after a certain amount of time e.g. 3 months of consistently trading over a threshold. I believe if you trade over that threshold in the first month, they should offer the rebates to you. This would decrease costs for large and active traders quicker and improve retail client success.

My Conclusion

Conditions I support:
1. Leverage ratio limits: leverage ratio limits to 200:1 for currencies, indices and commodities. 20:1 for stocks and 5:1 for crypto currencies I support. Your current condition is far too drastic and doesn't address the problem of consistent losers or hurting consistent winners. Leverage is fine. More retail clients just need to know what they are doing.
2. Margin close out protection: I support.
3. Negative balance protection: I support 100%. Most important measure.
4. Prohibition on inducements: on the condition that this excludes trading rebates (or improves rebate offers for retail clients making it easier to get them) and excludes free brokerage trades after a certain volume of trading, than I support this measure.
5. Risk warnings: 100% support.
6. Real-time disclosure of total position size: 100% support.
7. Real-time disclosure of overnight funding costs: 100% support and must go further to lock in rates in advance of market closing.
8. Transparent pricing and execution: 100% support and could go further as to ban providers charging a flexible spread (besides changing spread because of liquidity reasons).

Kind Regards,
Adam Novek

Feedback

From: Adam Novek [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Mon, 16 Sep 2019 09:38:19 +1000

Dear ASIC,

I wanted to write to you again and focus on your proposed changes to leverage for retail clients a little more as this is the most drastic and disturbing change.

I understand where ASIC is coming from. Leverage magnifies profits and losses, the majority of retail clients lose money and this is amplified through leverage. Therefore, reducing leverage will mean the majority of retail clients will lose less money.

I lost money for a while and there is a steep learning curve to learn trading currencies and indices short term.

That being said, after a retail trader invests in their learning, experience and infrastructure they can be very successful trading CFDs and higher leverage magnifies this.

Being able to access leverage of 500:1 or 200:1 gives experienced and profitable retail traders amazing opportunities and I am very thankful that it exists.

Which is why there needs to be an option for retail traders who do not quite fit as wholesale clients yet to magnify their trading abilities and earn serious money trading leverage greater than 20:1.

I feel strongly about this because the proposed leverage changes will be devastating to my trading business.

I believe there should be compromises, albeit a little more complicated to regulate. These could include:

1. Mandatory experience conducted on simulators for a certain amount of time for new retail clients and live trading on small leverage before gaining access to higher leverage 500:1 or 200:1.
2. Mandatory knowledge/extended testing to trade on higher leverage accounts 500:1 or 200:1 (maybe coupled with the first point).
3. Even though this isn't directly related to leverage, holding costs charged could be controlled and regulated. Standardise best practice across industry e.g. max 2.5% on top of RBA cash rate for high leverage accounts 500:1.
4. Electing to go into a higher leverage account after lower leverage account is opened.
5. A ban on brokers advertising or promoting higher leverage accounts.
6. Applications for higher leverage accounts and licencing with ASIC
7. Incremental increases in leverage to be allowed after probation periods e.g. start at 50:1 and ability to increase every 3 months by 50 to 100:1, 150:1 and so on up to 500:1

ASIC will be over regulating the industry if they follow suit with the UK or other places around the world.

Australia can take advantage of drastic and silly measures overseas by just not following suit. As far as oversea's retail traders go, as long as it isn't illegal for our companies taking their business, than it is a great benefit to Aussie jobs and businesses.

Please do not make my job harder than it already is. It has taken me years to get to the point where I am at now and Government regulation instituting a sub-optimal (at best) outcome for retail traders who make a living from CFDs, would be devastating.

Kind Regards,
Adam Novek

from ADAM WATT :waterview capital .

From: adam watt [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Wed, 18 Sep 2019 14:13:41 +1000

To whom it may concern , I have been a share trader since the mid nineties and for around the last six years have traded forex and commodities , I have to say , if these limitations are introduced into Australia my trading business within Australia would cease immediately , and would be based permanently overseas , these extreme changes would severely reduce my ability to make a living in Australia
little own the ability to grow it , I have only ever traded my own money so to be subject to this kind of interference is unbelievable , I have always been conservative in my use of leverage but have used it to make trades that both safe within my own rules and large enough to provide me a comfortable income , these changes would remove my ability to do this , one of the biggest ironies is that about two years ago
I reports a company that make continual cold calls to me trying to get my credit card number in an overseas trading scam , I reported this to asic on three different occasions on your tip line via email , leaving a detailed description of the scam as well as the phone numbers used and the identity of company , even to this day I have still not heard from asic in regards to this matter and im guessing that I never will ,
another time a broker lost a large parcel of shares and showed nom interest in finding the lost parcel , I later brought it to asics attention only to be told that asic isn't really interested , the lost parcel was finally found by the south African ceo of copperco , the company that had bought out the original company that I had shares in , hence , where the lost shares had gone too , with no help from asic or my original broked .
Now asic decides to intervene and to take action that will destroy the profitability of my trading business , I not naive enough to think that these submissions with stop this grab for power I I am lucky enough to have the resources to move my business overseas as soon as possible and have already started canvasing overseas brokers that are not regulated by asic in order to protect my income , in my view and my case
the larger well funded will move everything overseas while the small traders will simply disappear , well done , Australia destroys another of its industries , yours sincerely , [redacted]

Feedback

From: Afaan Shakeeb [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 17:52:29 +1000

Hi Asic Team,

The proposal to restrict leverage to 1:20 on Forex Pairs is in my opinion unfair and unnecessary. The choice of uiksing leverage on financial instruments is and should be the choice of individuals.

As a trader myself who has devoted a lot of time to learning the forex markets, this move to a capped leverage greatly impacts how large a position I can open. As an Adult who understands the concept of risk management, this proposal is in my opinion a slap on the face of many who have spent the time and sacrificed hours to be able to trade the financial markets at a level that wil no longer be available to then if the proposal goes through.

Thanks

Suggestion

From: Akim Mutangana [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 23 Sep 2019 20:27:00 +1000

I trade Forex I think most traders who lose money use excessive leverage 1:400 and 1:500 and most brokers like pepperstone have extensive education material on how to use leverage correctly. Shouldn’t you at least make the leverage at 1:50 to not alienate people who spent their time studying forex and who don’t treat like gambling? Right now I have a small account that I was planning to grow overtime but with the leverage at 1:20 that will be impossible.

Sent from my iPhone

Feedback

From: Alasdair Mackintosh [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Mon, 16 Sep 2019 21:44:30 +1000

Hi,

I have recently read that ASIC is looking to impose similar leverage restrictions on FX and CFD trading as are in place in the EU. In my opinion you will be responsible for retail traders losing even more money. This change will force investors offshore to unregulated brokers - not good

Those that stay with an Australian based broker will in one or another put more money in brokers pocket. Either because they run into a margin call or by depositing more money to avoid margin call! I don't think the intent of the new rules has been researched or evaluated properly.

Typical risk management states you should placed no more than 1% of the account on any trade, however, it means some investors may only be able to place one trade total given the new restrictions. If a trade is in jeopardy, the investor may want to make other trades to get the initial trade out of trouble, or re-evaluate the tech analysis when it is going well and add more positions to maximise profits. Under the suggested revision, margin requirements will increase by x3 or x4 for any open positions, free margin will be less, so retail investors are closer to a margin call now than ever before.

Personally, most of my successful trades relied upon being liquid for a period of time 24-72 hours and taking a number of small trades in the same direction, whilst remaining above the 80% threshold for free margin.

With the new leverage proposals, it becomes difficult to remain within the "free margin" requirements. You are forced to trade at an absolute minuscule amount or risk quickly hitting the margin requirements. Appreciate this will save some people something rather than losing the whole account, however, for experienced traders it is just annoying because you know the market will turn just as you get stopped out.

Has ASIC have reviewed the data from the EU after its introduction 12 months ago? On average there is a 2% improvement in loses. I am unsure of the validity of the data, however, in a good few cases there is no change. I don't believe this is significant enough to take away the leverage privileges for all traders.

See source of data (attachment taken from https://www.financemagnates.com/forex/brokers/retail-broker-clients-profitability-reloaded-a-year-into-esma/)

I appreciate that investors need to be protected, particularly new / inexperienced or those that cannot afford to lose the money. However, restricting margin is not the most efficient way to achieve this goal.

Is it possible to give investors an option, or atleast prove they can create winning trades rather than a hard and fast rule for all?

Bigger picture, it appears that ESMA and ASIC (if they enforce this) are removing smaller investors from the market and reserving it for the most wealthy individuals.

--
Alasdair Mackintosh

Feedback

From: alastair lean [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 04 Sep 2019 15:51:24 +1000

Hi.

I agree that tighter conditions are needed on CFDs for retail clients and I also agree with banning binaries. But for experienced traders who do not meet wholesale rules, the changes limit our ability to make money. I was a full time futures day trader for 15 years and it seems unfair that my proposed leverage limits are to be the same as someone who is trading for the first time. They are the ones that need protecting, not experienced traders. I would suggest a way for someone who does not make the wholesale criteria but has considerable derivatives trading experience to select a status that allows them to trade with higher limits.

Thanks.

Alastair.

Sent from my iPhone

Feedback on ASIC new regulatory proposals

From: Alejandro Pérez [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 12 Sep 2019 01:54:54 +1000

Hi Market Supervision comity of the ASIC regulatory body,
My name is Alejandro Pérez, I am a Mexican client of 2 ASIC regulated brokers (Pepperstone & ICMarkets).
I chose this brokers under the ASIC reregulation as and have been trading with them for the past 4 years. I chose them due to their high quality execution as well as ASIC being a regulation that had a great balance between costumer protections and trading conditions(instrument availability, leverage, spreads, commissions).
I have been informed of the proposed changes in regulation to the instruments I trade and I would like to put forward my opinion on this changes and how it affects me as well as other developing traders (I give coaching to developing traders to help them avoid losses and develop the skills needed to be profitable and in several cases get jobs at prop firms worldwide)
I will go and outline first the points put forward and my opinion on each and then other potential alternatives that could be placed.

> Re: 1. Proposed changes to leverage caps: a key focus of the proposal is leverage restrictions, which will affect the amount of margin retail clients are required to deposit to trade CFDs or FX. Here's how the proposed changes look:
> • 20:1 leverage on currency pairs and gold = 5% margin
> • 15:1 leverage on major indices = 6.67% margin
> • 10:1 leverage on commodities (excluding gold) = 10% margin
> • 2:1 leverage on cryptocurrency-assets = 50% margin
> • 5:1 leverage on shares or other underlying assets = 20% margin

I believe this leverage caps are terrible for most of the industry. I personally use sensible risk day trading strategies in the Major currency pairs that can be up to 30 – 50:1 This keeping a tight risk level on my account for that. This proposed changes will make this impossible to do.
This also will disallow traders that are developing from opening small accounts and practicing in a small, low risk account.
Practice is indispensable for mastering trading skills and becoming profitable. Many developing traders (myself included) use small live accounts to practice their trading strategies with a measured low risk (minimum deposit accounts at 100 – 500 AUD or equivalent). This enables the traders to practice the concepts while developing the mindset skills needed and handling the real psychological effects of live money trading.
By reducing the leverage so much you are making it impossible for developing traders to practice with this low risk accounts. In this case you would be harming traders more than protecting them as they would have to risk a larger account while developing instead of being able to practice with small accounts. While that single account could blow up, the trader would have been saved from a larger loss of having to put up a larger trading capital in the first place.
I would increase the leverage as follows based on my experience as profitable trader and as trading educator. (were risk management is the first directive)

> • 50-100:1 leverage on currency pairs and gold
> • 15-25:1 leverage on major indices
> • 10-15:1 leverage on commodities (excluding gold)
> • 2:1 leverage on cryptocurrency-assets [NO OPINION AS I DON'T TRADE THIS ONES]
> • 5-10:1 leverage on shares or other underlying assets
> Re: Compulsory margin close-outs: If the funds you hold in your account fall to less than 50% of the total initial margin required for all of your open trades, there's a requirement to close out your positions.

I believe that the brokers I work with already use this levels (maybe even 60% as stop out level), I agree that if there is not yet a compulsory margin close-out then that a reasonable one should be in place. I would say that a margin close-out level of about 40-60% would be sensible. This will affect mostly the accounts of traders that are trading without proper risk management or with really small accounts. Again this could affect people that are practicing with small accounts to decrease their risk, but in this case I believe the overall benefit of the stopout levels outweighs the negative effects (plus many brokers already have the levels implemented at about the proposed level)

Re: ban the issue and distribution of OTC binary options to retail clients

I agree with this, please ban Binary options completely. As an educator we have to tell people to stay away from binary options and they have made a bad reputation for the industry. (I cant say to ASIC regulated OTC binary option issuers as most of the people actually use other "bad" offshore regulated brokers for that)

If there should be an OTC option like instrument, let it be like a vanilla financial option in the exchange markets. Meaning that it has to have transparent market based pricing, and that people are allowed to buy or sell the option and that it works similarly to a exchange traded vanilla option (European can be good)

Re: Condition 3: Negative balance protection

This is a good proposal. This could be achieved by a mandatory compensation scheme (like insurance) to help brokers improve.

Together with the mandatory stop out levels at 40-60% margin this would help mintage losses from negative balance for both clients and brokers.

RE: Condition 4: Prohibition on inducements

I understand this part but I disagree with several points on it.

I would focus more in proper advertising of the risks. Honestly as educator and coach the first thing that I have to do with clients is manage expectations and explain them the risks involved properly. This helps mitigate most of the losses and issues involved with trading. In here, I would encourage partnership with serious educators to help make a balance between selling the product and representing the reality as it. (eg. We always tell people that while its possible to get rich from this. It takes a lot of time, effort and consistency, its not something for everyone and there are risks involved. We encourage a lower volume type of trading also, focused on learning first, practicing then and finally trading with real money in small account and then go to the size you want. That way education mitigates the losses from people, but in the end it's a personal decision)

I would say that rebates are not a negative. I will be honest in how I see rebates as a trader and as part of a company that influences broker choise for traders.

As a client: I have used rebate companies to decrease my trading costs. For me getting rebates on my trading (from companies like ForestParkFX & ForexCashbackRebates) never made me want to trade more just for the rebates. I saw them as a decrease in trading costs.

As an educator: Rebates are tiny really as an educator revenue stream. Specially when you as an educator encourage people to demo first and then use small accounts and trade reasonably and with strict risk management. I believe that rebates are a fair compensation for companies that are dedicated to help traders get a good quality broker (such as ForestParkFX which help traders select borker based on the trader needs and give a fair assessment on each broker they offer, + only offer high quality brokers) . What I would focus more in here is on the marketing of the rebates to the clients.

Such as, the broker should not directly market or give the rebates to the client (better have tiered pricing which is explicitly stated or per private agreement with high volume clients). This way the broker itself its not incentivizing risky trading in high volumes. Partners that offer rebates to clients should advertise those rebates as savings on their trading. One thing that could be done in that part is that educators should disclose if they get rebates from brokers for referrals, and rebate companies show their rebates as cost reduction, it would be ideal if the rebate that is given to the client could be translated directly into a lower commission cost (eg, if they offer a 1USD per lot rebate to the client then it changes the pricing for the client directly on their account instead of by a "payment" from the rebate company to the client. This would help make rebates more transparent and fair for all parties involved.

Finally, I think that deposit bonuses could be helpful for traders. I would reserve those type of deposit bonuses offers to partnerships with respectable educators that encourage good trading and risk management habits. The type of bonus I am talking about are bonuses that are given to the clients as credits in their account (as extra equity or similar after a X deposit, or as a re-instatement in commissions incurred by the client for their deposits) . This could help developing and experienced traders improve their profits while the deposit is valid while still keep a reasonable risk level in their trading. (that is why the in partnership with reputable educators). Finally I would say that marketing that aims to professionalize or attract developing traders that have a professional mindset should be encouraged. Programs like AxiSelect (from AxiTrader) or Darwinex should be encouraged because that aims to help both traders and investors to get better conditions. Those type of thins would better convey the reality of trading.

Re: Condition 5: Risk warnings

Agree with this, I don't believe the risk warning should be placed in the platform. But an email could be sent to clients after X period of time reminding them of the trading conditions and risk warnings for that account (say, 1 email at 15 days and 1 email at 30 days of new client account opening)

Also the risk warning could be displayed in the client portal of the broker within the first x days of client account opening.

Re: Condition 6: Real-time disclosure of total position size

I believe this is not necessary, but could be good. One thing that could be done instead is to make the brokers provide tools (add ons, or similar or on their website) to sow the client total exposure to risk in their account. This would be similar to the risk tab on the position size calculator (https://www.earnforex.com/metatrader-indicators/Position-Size-Calculator/). This would be better to show the client how much risk they have in their account. As total position size has relatively little bearing on risk in the account.

eg. Client A is in a swing trading position with 1 lot and it has not SL then its exposure its still 100% of their account

Client B is in a day trading position with 5 lots and a 10pip SL and have a risk of only 1% of the account.

(assuming client A and client B account size is the same)

In that case the client A Notional size would be 100K units while client B notional would be 500K units. But the exposure of client A would be 100% while Client B would be only 1% due to the implementation of a proper Stop Loss.

If the system shows exposure instead of just notional, then it could have some text warnings when there are positions without SL or if the exposure reaches more than X% (configurable by the client)

This would be more in line with metrics that are actually useful for clients and that actually help them reduce their risk. (that is the reason the risk tab was added to the position size calculator presented above)

RE: Condition 7: Real-time disclosure of overnight funding costs

Agree but again implementation seems misaligned with the purpose.

1st point, for most traders the yearly swap rates are irrelevant as most traders keep positions for a few days to a few weeks mostly (If they hold overnight)

2nd it would be better to have yearly rate quoted in deposit currency instead of instrument currency as it provides better information for people that way and it doesn't mess up with algos or software like the calculator shown above.

3rd point, in my experience traders understand better when you tell them a swap rate in points/pips than in USD, JPY, EUR, AUD or yearly or daily % . That is why I believe that the way disclosures are done in MT4 currently using mostly pips per day is more representative of a functional reality.

Again, a tool like the Swaps tap of the position size calculator (https://www.earnforex.com/metatrader-indicators/Position-Size-Calculator/) could be used as base as that is used by traders to calculate the real costs. (eg, if you hold for 1 day you have X and you have the yearly rate for longer term traders, but the daily swap rate is really really important)

Maybe a disclosure of how the rate is calculated in the website could be good. Like how some futures brokers do

RE: Condition 8: Transparent pricing and execution

Agree with this point.

For this a 3rd party aggregator could be used to serve as compliance for the execution of the trades according to market conditions. This way the brokers could disclose to the regulators and in a trade investigation form if the trade was internally matched, B Booked or taken by X participant in the ECN market. This would give more transparency when investigating potential affectations by the CFD providers vs real market.

Finally this 3rd party aggregation of data could help provide traders with a better data set of real transactions that could be used for high quality backtesting purposes to prove their strategy works in the markets and thus decreasing chances of losses.

Additional thoughts:

I say that this regulation is important but that the way it is panned to be implemented is overreaching and puts ASIC regulated brokers at a international disadvantage, this will make them likely to seek offshore regulations on which to continue offering current trading conditions to client that so wish it. This too strict regulations could also cause people to seek offshore brokers in weaker regulations in order to bypass the ASIC regulations. This would have a negative effect that will by far outage the beneficial effects of the proposed changes.

I would say that the focus should be on seeing what high quality brokers like Pepperstone, ICMarkets and AxiTrader are doing right in the market and apply those standards to the other brokers (which could be misbehaving). That way and with the opinions expressed above the regulation could be implemented in a way that benefits all participants in the market.

Finally I would say that to prevent issues like the resent failure of the segregated accounts regulation in Australia last year. Things could be done to increase oversight of the actual compliance with segregated accounts regulations, and there could be a way to incentivize brokers to get extra protections.

For example. Equiti, a internationally regulated broker, in their Jordan entity have an additional client funds insurance of up to 1M USD per client. This is in addition to having segregated accounts for their clients and following client money safety best practices.

There could be mechanisms in place to prize brokers that do this type of extra protections for their clients. This way there will be a high minimum standard, but also high quality brokers like the ones mentioned above could be benefited by the regulation when implementing for their own accord improved conditions and protections to their clients.

Please take attention to the points I mentioned and be sure to make a regulation that truly benefits everyone instead of making it impossible for developing traders to get started. By implementing over reaching regulations all you achieve is making a more restrictive market in which the client has few options, there is little competition and the smaller clients are harmed the most while larger clients benefit a bit but the overall market has a negative effect due to the increased compliance costs and decreased competition.

Thanks,

Alejandro Fco. Pérez Romero

OTC Intermediary Compliance - proposed prohibition on OTC binaries

From: Aleks Svazas [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 23:53:44 +1000

ASIC,
Hello. Regarding the consultation paper CP-322 and the prohibition of binary and CFDs to retail clients. I object to the proposed changes, as they take away the right for of the individual to choose to enter the market / or do what they will with their own money. This is a choice of each person, not the state.
Furthermore, as someone who is learning to trade and already making money consistently, the proposed changes will either limit or entirely exclude me from being able to trade. This will limit my potential to grow into a new career and fulfill my potential.
The proposed changes are a blanket and dogmatic approach that do not consider the individuals situation and penalise the successful traders for the sake of the unsuccessful traders.

Aleks

ASIC Consultation Paper

From: Alex Burton [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Tue, 24 Sep 2019 08:54:23 +1000

Dear Sir/Madam,

I am writing to voice my concern at the proposed changes to margin & leverage requirements for various financial products but in particular for Forex trading.

My own experience is that you cannot make a living with a Forex leverage of 20:1 as proposed by ASIC.

I feel that ASIC is going to blindly follow some other overseas jurisdictions without giving the matter proper thought and attention to some of the finder details.

The USA & Canada allow 50:1 leverage but even this level makes life difficult for those traders who are consistently profitable and understand the risks involved but who trade with strict money and risk management protocols.

Furthermore there are some very secure and safe overseas brokers who offer 100:1 or even 200:1 leverage as well as guaranteed return of funds should the brokerage firm collapse up to amounts of USD $100,000, CHF 100,000 etc. These brokerage firms are protected by government bank guarantees. This is a safety net which is sadly missing in Australia.

I will not hesitate to move my funds to an overseas broker should the new leverage levels of 20:1 come into effect.

While low leverage levels may be prudent for new traders, there should be a scaled approach where existing traders or traders who have been successful for a certain period are offered higher leverage rates. Indeed this system does operate overseas.

Ask yourself this question: Why would a trader who currently enjoys a 500:1 leverage, with a well respected Forex broker, with thousands of customers, want to stay with this broker if leverage is reduced to 20:1 when they can move their accounts to a broker/bank in Switzerland with a CHF 100,000 Swiss government funds guarantee should the bank go into liquidation, and a leverage of 100:1 and up to 200:1?

I ask that ASIC be a forward thinking leader in this area and not a follower of the pack.

Yours faithfully,

Alexander Burton.

--
Alexander Burton
[redacted]

Consultation Paper 322 submission on currency pair leverage

From: Alex Jay [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 23 Aug 2019 13:05:17 +1000

I would like to voice my concern regarding the punitive nature of the proposed leverage limits on forex and CFDs for retail clients. Whilst such high levels of leverage of 400 to 1 or 500 to 1 are certainly not appropriate for inexperienced retail clients, limiting leverage ratios in particular for currency pairs of 20 to 1 for experienced retail clients are too low.

Higher levels of leverage such as 100 to 1 and 200 to 1 are a valid tool in order to protect retail clients in mitigating counter party risk in a retail client to broker relationship by lowering the required capital to be deposited with a broker. This is a common risk mitigation strategy where by a retail client may deposit say 5% of the overall capital they intend to trade whilst keeping the remaining 95% deposited with a bank. Leverage limits of 20 to 1 are also punitive for the 30% to 20% of retail clients who are profitable using short term trading strategies that inherently require larger leverage limits.

One way to mitigate this and protect inexperienced retail clients would be to impose the proposed leverage restrictions to new accounts and for these restrictions to be eased on an opt-in basis after a time period deemed appropriate by ASIC. Paragraph 133, page 38 of CP 322 references European regulatory authorities who do in fact give such allowances for 'experienced clients'. One possible time period that could be used would a multiple of the average life expectancy of new client accounts. For example, if the average life expectancy of new client accounts is a period of 6 months, experienced retail clients would able to opt-in for higher amounts of leverage after a 1 year period.

For your consideration,
Alex Jay.

Feedback

From: A P [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 17:19:33 +1000

To whom it may concern,

This are humble opinions.

How do the proposed ASIC changes affect IG products?

Firstly, may I say that one gives an opinion based on presentation of the facts or supporting evidence, which is not provided. This is difficult to say: these proposals that you envisage for an increase in margins is not within your regulation. This is a decision made by the provider of the product and is not the jurisdiction of regulators. Please do not be offended by the consequences from the Banking Commission. But this seems to me to be like passing regulations on the tellers after reading the Banking Commission Report. Not needed: these decisions are made by the provider and they know how to ensure that they do not lose money. This is the sole purpose and you can rely upon it being pursued with more than adequate efforts and unethical behaviour. Cannot find the exact wording but a conclusion of the report is that: "A clear pervasive culture of dishonesty motivates objectives with the ultimate goal of profit, almost at any length. Ethical issues, not what the tellers are doing. Reporting will confirm this. No company providing these services has any intention of losing money to clients. All of these suggestions seem to be to the benefit of the company.
Point made I believe.
The fact that these conditions do not apply to professionals is showing. It is aimed at the small traders who now have less to invest and meet more restrictions, which cannot be changed as the market changes. These are not the people to be regulated. You know this. 76% of IG customers lose money. I would need to know your reason for these suggestions but would point out that unemployment is going to rise. Robotics and the falling God of Growth will ensure that. The markets are a good place to make money if you learn them. This is a huge avenue of revenue and employment and lets face it, it is a farce anyway. Horseshit, actually. Not necessary: do you think that currencies actually help trade? One currency is enough but it would spoil the 'game'. A rich mans game. That era has past. The game is there and if people can make money from the market they are not supported by social services, which are a dead loss anyway. You run the risk of 'regulating' the 'employment' that many fail and the provider's customer base disappears. Not a good idea. Just pass one regulation: Anyone entering the market is given $20th and must make $40th with it before using 'real' money. Can top up balance to 20 any time. Clearly the market is not a place that you take from someone else. All can make a donation and all can benefit. This is all you have to do and ask for records to be kept that monitor sensitive aspects.

IG: please forward to me your response to these regulation suggestions. Love the b/s about the 45 years. Profit is your motive as per the Banking Industry etc. You are obliged to support ETHICS within your organisation and these regulations limit your ability to effectively change aspects such as margin rates. I submit that many will go out of business to our detriment. If you can make $6,800 in 10 days with an account of $15,000 the potential is enormous, which I have done. A novice.

Can't get over that "the professionals are not effected by these regulations".
You will be aware that 10% of financial entrepreneurs are sociopaths. This is where ethics need to be established.

There is a lot of detail, all of which can be rebutted, but am keeping these initial remarks short.

With respect, A Pooley

Leverage Changes

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 22:01:32 +1000

> I do not think lowering the leverage rates is a good idea - this will require consumers to trust brokers with even MORE of their capital in order to allow the same trading patterns.
> Generally holding as little capital as possible with the broker is a much safer route, in my opinion.

re The proposal paper

From: Al Buzby [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Wed, 18 Sep 2019 19:22:31 +1000

Hello,

I have had a look at the paper this morning. As someone who lives in the UK, I must admit that I was very concerned.

I have been involved in the markets since 1993 (initially part time but now much more seriously). When ESMA introduced
the new rules here in the Uk, it made life much more difficult mainly because of the drastic reduction in leverage.

I personally believe that leverage 500:1 is too high and can encourage people to trade a standard lot with say 2/300$ in their account and
effectively lose 50% of the account in one trade ! (very easy to do)

BUT reducing margin to 20:1 or so simply means that people wont trade with that broker and move funds elsewhere. The original broker that
I was trading through here in the Uk had to close their retail arm, since all the accounts moved to outside UK.

I have an account with a spreadbettor here in the Uk, BUT I only trade the dax through them, so I dont mind the margins since its only one
instrument......... but the forex ones, I trade through the Aussie brokers since I trade a basket of these and it would be impossible for me to trade
since I will need a huge account to trade at the size that I do...... If you have say 5 pairs opened and even if they hedge eachother, you would still need
a huge margin here in the UK. Besides, I ddont want to park large amounts with brokers and risk losing it, so this proposal does not help me at all.

Anyway, as far as margin is concerned, I would say that 500:1 is too much and 15 or 20:1 would simply drive people like myself elsewhere.
I personally think a margin of 80:1 or 100:1 for forex would still be ok

I think your other proposals are ok and I do hope that you would reconsider the margins, otherwise a lot of business will be lost

Many thanks

Ali Bezchi

FX Changes to trading

From: Amanda Sinclair [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Tue, 24 Sep 2019 07:00:09 +1000

To Whom It May Concern

The proposal set by ASIC for FX trading is disenfranchising Australian companies and consumers. I foresee Australian people moving their money, brokerages, and investment to overseas companies where the margin will be larger; in turn that will effect the Australian company and Australian investors: Australian companies will loose investors which will have a ripple effect as we may see Australian companies close down; more people unemployed and tax payers will be supporting those, the strain on the Government purse is high enough. The companies which last may have fewer qualified people employed and due to less clients; in turn will provide less support to their current clients and they too may eventually more to overseas companies.

If ASIC choose to implement this proposal not only the above but are also putting Australian Consumers at more risk as the Australian people will invest with overseas companies which are not regulated by financial boards and bodies such as ASIC which is very important for the protection of Australian assets and peoples. As ASIC is aware many of the FX companies easily accessible on the World Wide Web are scammers and not regulated. The Australian peoples will be as 'lambs to the slaughter' and in the longer term ASIC will be held accountable for their poor judgment in the courts.

I understand some Australian people use FX trading recklessly and by their choices the consequences can be dire to them and their families, but ASIC need to be wise and choose carefully thinking of all the consequences to companies and consumers in the long term.

May I humbly suggest a (idea/solution)
1. Investors MUST complete an accredited proven course - which they have unlimited access and mentors available.
2. The completion of the course is not an easy questionnaire but a difficult exam.
3. Once the exam is successfully completed the consumer applies to a brokerage company.
4. The accredited course provider will send the course completion exam to the brokerage company.
5. The brokerage company MUST provide stages of margin lending.
For example: stage 1 20:1, stage 2 40:1, stage 3 50:1, stage 4 70:1, stage 5 100:1, stage 6 150:1, stage 7 200:1
6. Each stage MUST be met by set profits made.
7. If the consumer does not meet the set profit they MUST not go to the next stage and if the broker does allow it they are held to account.
8. If a trader is in stage 3 and 'takes a set amount of losses' their stage is reduced accordingly.
9. Consumers 'stage' MUST be regulated so they are not able to 'broker hop'

I believe ASIC is a wonderful institution and has the Australian companies and peoples at heart and I fully support their business in Australia.

I also believe ASIC need to be proud of Australian Companies and support them to enforce measures which will not in turn disenfranchise the companies or consumer.

If you have any enquires to my email please contact me I will be available.

Kind regards,
Amanda Sinclair
[redacted]

Feedback on proposed changes

From: amir khan [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 18:49:28 +1000

Hi there,

I have read the proposal by ASIC on CFDs and quiet shocked to see that they will change the leverage/margin because I am doing this trading from some time and spent lots of time and money on it.

By reducing the leverage on certain products will greatly impact me and other traders because I don't have enough capital for higher margin which means I have to stop this, and all the hard work and time will be wasted. It also means rich people can make themselves richer and people like us will not be able to do anything about i.

Any actions on gambling? Because consumers lose lots of money there as well and betting providers are getting richer. I think instead of changing the leverage/margin, you should enforce people to learn before they start tradings by mandatory learning courses or similar means. Rest of the recommendations are good to me. Thanks

Kind regards,
Amir

CONSULTATION PAPER 322

From: ANDELKO JUKIC [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sun, 22 Sep 2019 17:52:13 +1000
Attachments: Unnamed Attachment (68 bytes)

Although no doubt it is a forgone conclution.
I will have my say.
I trade a tiny amount on CFD and margin FX at 500-1 leverage I understand the risks and try to make a few bucks
Why would you change that and only essentially let the big end of town play, punish the rip off merchants and kill binary trading.
I will just go to another country, my investment is small but I like trading a market where a small amount can play against the big boys.
Or at least let the existing people keep the high leverage.
What a sick joke

OTC Intermediary Compliance
Market Supervision Australian Securities and Investments Commission
Level 7,
120 Collins Street,
Melbourne, VIC 3000

RE CONSULTATION PAPER 322

Public submission.

I refer to press release dated 22 August 2019 in relation to binary options and CFD.

My friends and I, (15-20 individuals) trade foreign exchange CFDS in Australia with Australian providers.
We previously traded with foreign providers, mainly in the United States.
We do not trade Binary options and agree with the draft release that they provide no value and essentially are a risk product with little investment benefit.

We would like it noted that we trade these instruments (CFD FX) based on the leverage component allowed and understand the inherent risk.

If, as with the American change leverage is curtailed or substantially decreased, we will simply move our business to another country, that still allows this leverage.

Would it not be easier to stamp out inducements and or shoddy operators than simply crimp retail investors from participating in this market WITH HIGH LEVERAGE CAPABILITY.

New entrants attempting to trade should have a more comprehensive introduction and vetting process to commence trading.

Simply killing the allowable leverage is an easy option which will just move money offshore.

ANDELKO JUKIC

Feedback on CP 322

From:	Andre [redacted]
To:	Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date:	Mon, 30 Sep 2019 10:17:32 +1000
Attachments:	Submission Response to CP 322.pdf (128.56 kB)

Attached is a pdf version of response.
OTC Intermediary Compliance
Market Supervision
Reference: CP 322
To whom it may concern,
In regards to ASIC product intervention with OTC binary options and CFDs, there are points that I consider should be reviewed.
I am a retail trader, and have been trading for over a decade, primarily in currency CFDs (Margin FX).
For the most part I am unable to comment on the queries requested on page 4 of the Consultation Paper (CP 322), and as the feedback questions on page 69 appear to be directed primarily to brokerage firms and such, I will comment on my own views and opinions as a retail trader.
Please note: my views are mainly in regards to CFDs, specifically margin FX. I do not trade Binary Options.
Summary points (reasoning as follows):

- Strongly suggest reviewing the levels of leverage intervention on CFDs
- Strongly agree with Negative Account Protection

Personally, I have been involved in small business for around 25 years, and am the Director of my own company that I established 19 years ago. In that time I have initiated four start up ventures (excluding trading), and of the four, only one has been a successful enterprise. This would equate to a 75% failure in regards to Small Business. Interestingly, the failure rate of small business that is bantered around in the business community is that more than 90% will fail. The irony is that statistically, there is a higher failure rate with small business compared to those who attempt trading, from my understanding. Although I do not have figures available, it would be quite conceivable that the losses by those attempting small business would be much greater than those that attempt trading, such as legal, marketing, insurance, lease, time, and other capital losses, which cannot be recouped.
If trading were to be considered by an individual to be a business venture, and the effort, education, and passion are put into it, then it is a very low entry cost venture, with a relatively low maximum loss compared to a traditional small business enterprise.
I make these points to address the fact that statistically, trading is not much different from small business, and as such, ASIC should not be intervening on a level that can inhibit the growth of a successful retail trader.
In regards to the Consultation Paper, for the most part, I do agree with the majority of points. It does concern me though that some of the points the author has made require better clarification for others reviewing.
Over-night costs (commonly called rollover or swap rates) on CFDs are in simple terms the difference between two countries interest rates. There are many CFDs that ***credit*** accounts over-night, that is, positive rollover. As an example, at the time of writing, a 1 Lot Short position on EURTRY ***credits*** around $76 over-night (depending on broker). The author made it appear that over-night costs are always negative.
The hypothetical trading scenario of Tim and Jenny is not an accurate representation of how the example would be traded by anyone of some intellect. Even so, it should be noted that if the market did move in Tim's favour, he would yield a massively higher return than Jenny for the same investment. The author has only written in the sense that the market would fall. It should also be noted that if 'Bill' held a 1 month ATM $10k Call Option on ASX200, that option would lose value each day, and be worthless after 30 days, in a flat market.
The above are only a couple of examples of the several points that I found that I would call a bias of information for a reviewer.
Why I strongly suggest reviewing the levels of leverage intervention on CFDs
There are a number of trading systems that I implement that utilize correlations and cross

currency hedging. A decrease in leverage will adversely affect my profit ability, and more than likely increase my potential for losses. This is due to a decrease in leverage will increase my margin requirements, which in turn reduces my ability to utilize multi-currency strategies with appropriate position sizing, which will increase my risk of having a margin call. It should be understood, that with proper management, having more positions across a diverse range of currency CFDs can create a protective mechanism against negative market movements and such, yet increases margin requirements.

I do know other traders that utilize these types of techniques, and after analysing and discussing their strategies with them, we concluded leverage reductions for margin FX less than 100:1 would be detrimental to our profitability and protective positions.

Another point to note, a decrease in leverage would obviously require more capital in my trading account to maintain similar profitability; this would take capital from my other investment vehicles, thereby reducing my overall investments profitability.

I also strongly suggest that there should be legislation in place allowing higher leverage for Companies, Trusts, and Sophisticated Investors as compared to retail traders.

Why I strongly agree with Negative Account Protection

Implementing negative account protection would be a powerful and positive proposition for the trading industry in Australia, to the point that legislation regarding leverage would not be required.

Although brokerage firms may disagree with my view on this matter, it would force the brokers to be more responsible with clients in regards to leverage, to better monitor client's positions to determine appropriate leverage rates suited to the client's abilities.

Over the years, and with the brokers I have accounts with, I am regularly notified of margin requirement changes, as the volatility of the market changes. By having negative account protection, brokers would have to be ensuring they take appropriate action to protect clients, or pay the penalty. I suspect it is much better for a broker to retain a long term client that trades, than for a client to lose an account.

As a natural result of negative account protection, I suspect brokers would be much more inclined to endeavour to educate their client base more appropriately, and even incorporate a process that a new client would start on minimum leverage rates until they have either completed online education and questionnaires, or have demonstrated proper money management techniques with their trading, to have their leverage increased.

Negative account protection would increase the desire for traders globally to utilize Australian brokers, yet would be negated if leverage ability is reduced too low.

I noted that in regards to client demographics, point 55, that the author was surprised that only 17% of broker's accounts reside in Australia. This actually does not surprise me.

As I am also into algorithmic trading (computer coded trading programs), I have spent considerable time researching and reading internet trading forums over the years. Currently, it is commonly viewed by traders globally, that Australia is one of the best countries to hold a trading account. A combination of ASIC regulation, Australia's economy, Banking Institutions, and less restrictive leverage rates, have strengthened the attraction for Australia's Brokering Industry. Many other brokering firms in other countries are considered high risk. It would be a major detriment for retail traders globally to take the risk of having accounts in riskier countries, all in the requirement for higher leverage rates.

I would open accounts overseas if leverage rates become too restrictive on CFDs.

Thank you for taking the time to read some of my views. For any further information or questions, [redacted]

Regards,

Andre De Temmerman

PS. As a final note, taking the percentage of accounts that lose money is not entirely accurate. I have known of traders that purposely run small accounts at high risk, and use margin call or stop outs as a protective measure.

Feedback

From: Andre Vorster [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Mon, 30 Sep 2019 04:58:36 +1000

Hello.
Thank you for the opportunity to reply to your proposed product intervention.
I do agree with some of your proposals and don't agree on some points.
I know and understand why you are suggesting what you do.
The problem with people losing money is not as much as with the broker as with the person itself. It's human nature. Nobody can change that.
Adding more limiting regulations will not solve the majority of the issues. If regulations place a limit on trading people will just not use legitimate brokers and go to "bucket shop" brokers. Thus people will still lose money and governments will lose tax.
Experienced traders:
Don't place a limit on experienced traders by adding more regulations.
Some of us have been trading for a long time now. For some of us it's our only income or additional income or even to build up to have extra money at retirement. The latter is where I am now in my life.
The experienced trader know the risks. Knows his/her limitations. The experienced trader does not go and cry to the authorities when they lose money.
A few suggestions coming from own experience.
Legitimate brokers:
There are many "bucket shops" out there. I've used a few of them and learned the hard costly way.
Don't limit the legitimate brokers. Find the bucket shops and make it more difficult for them.
Advertised credit:
The first time any person starts to trade online you normally get a $100 000(virtual) credit. Then one trades and makes a lot of money quickly. Losing 10-20k does not hurt. You trade for a while on demo account and think this is easy. So you transfer money and start to trade. Quickly one loses the real money. Transfer some more and lose that as well. And so on and so on…
Suggestion: Limit brokers to advertise that amount of virtual credit. Limit the broker to only advertise say $2000 credit. This makes it less tempting for the novice. The novice will soon see how easy one can lose $1000. That's is closer to reality.
Training training training:
Brokers must provide training programmes.
The novice must complete and pass these training sessions before the person can trade with real money.
The broker must make contact with the novice and have an informative chat with the person. Not just one call but several until the novice understands trading and the risks involved. A personal telephone call and not just an email.
Yes there are help lines but people are too proud or don't want to sound stupid to phone the helpline. Novice mistake. The novice feels helpless and don't know where to turn to.
The broker must follow up and guide the novice trader.
Yes some of the bigger brokers like IG do have training/information material.
I found that the links to these training material is not very visible. Not in your face like the rest of the marketing material o the main pages.
These links to the training material should be highlighted on the main web page.
I wish I had read the training material available when I started trading. Would have saved me thousands. Eventually I discovered training material on YouTube and my trading improved.
Discrepancy between Demo vs Live account:
I discovered a few instances where the software behaves differently between Demo and Live accounts.
There are certain things you can do on demo account that is not possible on live account. This lures the potential trader in to trade with real money and the broker knows what is to follow.
This creates false sense for the novice and even other less experienced traders. They won't understand why they lose money.
Fine the brokers where there are discrepancies between Demo and Live accounts.

Fine them and give reward back to the trader where these discrepancies occur.
Brokers can't say it's a bug. They have many good developers and such software bugs are not acceptable. I work in the software industry and part of my job is software testing and evaluation. I can spot a real bug vs other "bugs".
Software:
The software MT4 or MT5 is a rip-off.
Example: Trader would get a spread of 0,6 on AUD/USD on broker software or the broker advertise this spread. But if the trader uses MT4/5 as provided by the broker the suddenly the spread jump to 10 for the same AUD/USD.
Most legit brokers spread is fixed according to time of day. Some brokers spread differs according to market movement. Example: One a trade on DJI with spread of 10 and suddenly the spread increases to 30 just because the market volume increases. With these variable spreads the trader stands about 90% of losing money.
Again it comes to training and understanding what it all means.
Clamp down on these brokers who advertise an attractive price levels but the actual spread differs.
It's mostly the brokers who does not fall under any regulation that does this. It's theft.
"Brokers" registered in Malta or such. They advertise they fall under European trading regulation but their bank account and offices are in Ukraine.
These are the "bucket hops" people lose money to. Clamp down on these. Don't penalise the legitimate brokers and traders who has been in the market (and survived) for years.
Monitor trading accounts:
Let the broker monitor the novice trading on demo account. This can easily be done with software to log where and when the novice are making mistakes and or where the novice can improve.
Send these reports as the person open or close positions. It won't be that difficult.
This software can be valuable as the potential for statistics and suggestions are endless.
I'm sure some brokers already have complex algorithms running monitoring traders behaviour that they use to maximise their profits.
Why cant they not develop software to help the trader? Especially the novice trader.
Novice trading account:
The broker should protect the novice by having several options on trading accounts.
Such as limited risk account. Or account where positions or part of it are closed automatically.
But don't limit it to much and have the novice fail due to limitations
If the novice trader gets that personal attention and feedback from the trader the novice will stick with the reputable broker. The reputable broker will build up an even better name in the industry.
The idea is to keep the novice trader safe with a reputable broker.
Try and prevent the novice trader from using "bucket shops" brokers.
If a person new to trading see all the options with a reputable broker the person will stays with the broker.
I lost a lot of money with "bucket shops" because I did not know better. I kept on jumping from one to the other until I ended up with IG which I'm satisfied with. Above board broker.
Regulations make people lose even more:
Too stringent regulations will make it too difficult for the novice trader and also for experienced traders to make an income.
Most people will then simply go online and find another illegitimate "broker".
People will only go and lose money there. Most people trading might find to stringent regulations limiting and close their accounts.
Human nature:
I know you are trying to protect people against themselves and from "bucket shops".
Yet you can't change human nature.
With regulation make trading more understandable for the novice.
With regulation close the "bucket shops".
If a person goes to casino and lose money to whom is that person going to complain to? That person will just be told that it is his/her own risk.
If a person loses money on the stock market then why go cry foul?

Not all the brokers highlight the risk involved. The risks should be made clear to the novice by the broker until the person/trader/novice understands it.
I don't agree on the following:
Do not auto-close one's position.

Don't auto-close one's position when the open position goes beyond 50% of the capital.
At times the market goes against one for a few minutes or even seconds but returns to the trend.
I have experienced this many times. If the broker's software then would close the position automatically one will have more unforeseen losses. I have had quite a few instances where the market turned against me for a short time and up to where I used 80% capital but then the market returned to a profitable position for me. These times can vary from a few seconds to a day and longer.
Scenario-01:
The market is moving fast. To maximise profit I open a trade and commit 100% capital to make the most of the move in the market.
Will my position be closed automatically because I'm over 50%?
Will I be able to commit more than 50% of capital?

Scenario-02:
I have position open in the market.
The market turns against me.
I need to hedge that position for the time being whether it with CFD or buying/selling shares.
Will my position be closed automatically because I'm over 50%?
Will I be able to commit more than 50% of capital?

This is my money and my decision. At this stage I'm past the limits set by the rules and regulations and know what I'm doing. Not?
When one have an open position no trader wants to be controlled how much of one's own capital one can use.

This puts a limit on one's potential profit.
This suggestion is plain unfair.
I suggest an additional type of account with a broker that will limit one to use 50% of capital only or have one's position closed when the balance drops below 50%.
Basically the same type of account as what IG has. A "limited risk" account.
Leverage:
Let the experienced trader decide which level of leverage is acceptable. Don't limit us that have been in the market for a long time. Don't remove our options please.
We are working hard and is earned our money. It's not easy.
If the leverage restrictions are implemented as suggested I would have no choice but to close my account. Thus you are taking away income.
Trading bots:
Some of us has spent months developing code that will trade for us. This code gets adjusted on a weekly basis to refine it. It's not perfect but for some it's their only way to make in income.
If you change the leverage to much or put too stringent regulation in place all of that work is worthless.
We will have to start from scratch and write code again and test for weeks on end before even attempting to run the trading bot on live account.
There is a distinct difference between novice traders and traders that stay in the market.
Please don't limit us and our income by regulation.
Please do protect the novice trader.
Thank you
Andre Vorster
[redacted]

Feedback

From: Andrew And Laura Chronis [redacted]

To: Market supervision - OTC <market.supervision.otc@asic.gov.au>

Cc: responsetoasic@pepperstone.com

Date: Wed, 11 Sep 2019 17:57:16 +1000

The changes to the leverage amounts proposed are unfair and punitive.

Get Outlook for iOS

Feedback

From: Andrew Beales [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 20:11:20 +1000

Hi, I believe these proposals for new margin levels are not in the interest of the majority of retail investors. I think the levels should be competitive with global levels for retail investors.
Andrew Beales

[Sent from Yahoo Mail on Android]

Feedback

From: Andrew Jones [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Mon, 30 Sep 2019 13:22:58 +1000
Attachments: Unnamed Attachment (68 bytes)

Hi.

I'd like to provide feedback on ASIC's proposed restrictions on CFD products.

I have been trading CFDs through an IG Markets retail account for ten years now, and I have found that CFD products provide easy access to the stock index futures market with small positions and hence lower risk while I develop my trading system. I don't have experience with other CFD brokers, so I don't know what controls they put in place to protect clients from excessive loss, however IG seem to have very strong controls in place that would limit me from losing more than the money I have deposited with them. Their trading system clearly shows what I am risking on each trade & clearly states the risk associated with CFD trading in general.

I do believe that all the CFD brokers have a duty to ensure that their current & prospective clients fully understand the risks associated with CFD products, as should brokers of all financial instruments.

I generally agree on most of your proposals such as negative balance protection and real-time disclosure of overnight funding costs. I do however feel that the proposal to reduce leverage ratio limits would unnecessarily impede clients abilities to either speculate on market movements or to hedge other positions. Clients should only be trading CFDs if they understand the risks involved - if they do accept the risk then they should be able to take advantage of the leverage that CFDs provide. I think that teaching clients how to manage their risk is important so that they have plenty of capital remaining if there are sudden large moves against them in the market. I personally place a stop loss order with every trade & I believe every CFD broker should provide the ability to do this.

Regards,
Andrew Jones

Proposed CFD margin limit changes

From: Andrew Jordan [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 14:49:23 +1000
Attachments: Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes)

To Who it may concern

I recently received an email from FXCM highlighting proposed changes by ASIC regarding CFD trading limits and urged by them to contact this email address to highlight my concerns.

Firstly. I am in full support of the proposed changes. The leverage ratios allowed by FXCM are un-necessary and only in place to trap unwary customers.

I was a customer of FXCM, but left after a very suspicious trade.

I had a trade-in place that was stopped out during early hours with a very long 1min price spike. The pair I had traded then proceed to move in my direction for then next week.

The spike appeared abnormal so I looked at other platforms, they did not have the same spike or record the same low, this was not a few points but a very large difference.

I contacted FXCM regarding the abnormal move - they claimed it was normal during illiquid times.
However I rechecked the FXCM price history charts a few weeks later and the low that triggered my SL had gone, their charts now matching other platforms.
FXCM historical data showed that my SL would not have been triggered.

Again, I am in full support of the proposed CFD margin limits, In my early trading days, I was caught with the same lack of understanding as many other people in the dangers of such large margin ratios.

Best Regards

Andrew Jordan

Dear Client,

Our regulator, the Australian Securities & Investments Commission (ASIC), has recently published proposals which will have a **direct impact** on the way you trade with us. ASIC are now seeking the views of consumers, product issuers and other stakeholders impacted by these changes. You can submit your feedback by October 1st 2019. The steps for doing so are outlined at the end of the email.

We have created a summary below to assist you in understanding how these proposals will affect you, if implemented.

CFD Leverage Ratio Limits

You will no longer be able to trade with higher leverage, as you may have in the past. According to the proposals, leverage ratios will be limited to the following:

- 20:1 over currency pairs or gold;
- 15:1 over stock market indices;
- 10:1 over commodities;
- 2:1 over crypto assets;
- 5:1 over all other underlying assets.

For instance:

Presently, currency pairs are offered at up to 400:1 leverage. This means you can open a position of $40,000 AUD, with $100 AUD.

If the proposed changes come into force, currency pairs will be offered on up to 20:1 leverage. This means in order to open the same position of $40,000 AUD, you will now need $2000 AUD.

In short, leverage restrictions may reduce your losses of trades when the underlying market moves against you; they may also reduce your ability to profit when the market moves in your favour.

Standard Approach to Automatic Close Out

ASIC is also proposing that if the funds you have in your account fall to less than 50% of the total initial margin for all of your open trades, some or all of your positions will automatically be closed.

For instance:

If your total initial margin to open your current positions was $100 AUD and your equity falls to $50 AUD, some or all of your positions will automatically be closed.

Other Proposed Changes

- Prohibitions on incentives (trading rebates and gifts);
- Displaying risk warnings;
- Negative balance protections;
- Disclosure obligations.

You can read all of the proposals here: **Product Intervention: CFDs**

The ASIC Consultation ends on October 1st 2019. ASIC have undertaken to consider all feedback before making a final decision. Changes to leverage can come into effect 20 business days after a final decision is made. Other changes can be implemented within 3 months.

Will I be Impacted?

We are concerned that some of the suggested changes are restrictive and may not result in the outcome ASIC is seeking. We will provide a detailed analysis to ASIC. In doing this, we aim to uphold the interests of investor protection whilst at the same time, maintaining an accommodating approach to your trading experience.

Have Your Say

ASIC is seeking feedback from consumers like you. We would urge you to take this opportunity and send your views to:

OTC Intermediary Compliance
Market Supervision
Australian Securities and Investment Commission
Email: Market.Supervision.OTC@asic.com.au
Level 7, 120 Collins Street, Melbourne, VIC 3000

Remember that forex and CFD trading can result in losses that could exceed your deposited funds and therefore may not be suitable for everyone, so please ensure that you fully understand the risks involved.

FXCM Australia Pty. Limited
Level 13, 333, George Street
Sydney, NSW 2000

Feedback For Consultation Paper 322 - Proposed Changes Will Harm Australian Retail Clients

From: Andrew Scott [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: [redacted]
Date: Wed, 25 Sep 2019 09:00:00 +1000

Dear ASIC,

I support regulation and monitoring to protect consumers. That is why many Australians are fortunate to feel safe trading in Australia with regulated providers. I am only contesting specifically to the new policy changes proposed to **CFD for shares**, as CFD for shares is a viable and established financial instrument. The consultation conditions 3-8 are great, however conditions 1 and 2 need serious review.

The new proposal is narrowly focused on minimising losses only for those retail clients who, in colloquial terms 'don't know what they are doing.' **The proposal completely disregards educated retail clients and their needs/concerns and potential losses that would result from this new legislation. The proposed legislation is not comprehensive as it lacks provisions to accommodate educated/informed retail clients.**
ASIC, please act responsibly to <u>all</u> Australian's by considering the following:

- CFD for shares is not gambling, and is based on market study and knowledge of real underlying companies and assets such as Commonwealth Bank, Apple or Microsoft.

- Setting leverage ratio limits (5:1 for CFDs over shares). There are two major problems with this proposal:

a) Educated retail clients rely on CFD to supplement their income. Many retail clients will not be able to earn their income from trading CFD shares if they are required to deposit 4 times more to place a trade. For example, the current initial margin to place a trade on Apple is 5% with a leverage of 1:20. With the proposed legalisation the client would need to deposit 20%, which is 4 times more to place a single trade! This would be **<u>more risky</u>** , and also unaffordable for many retail clients, and hence prohibit them from trading.

b) Retail clients will be exposed to more losses because they will have to deposit 4 times more into their trading account, and into each trade. Several regulated CFD providers already limit losses to only what is in the client's account (i.e. losses cannot exceed deposits). However, if retail clients are required to deposit 4 times more into a trade, they are exposed to 4 times more additional losses. **Please consider revising the proposed new leverage ratio limits for <u>CFD shares</u> to make it affordable for retail clients to continue trading, and avoid making excessively large deposits into their trading accounts.** Please do not blindly follow Europe and be careless with this, ASIC.

- Most regulated CFD providers in Australia already have clear warnings about the potential danger of big losses. These warnings are clearly visible and reinforced multiple times upon signing up. While there is a risk to trading CFD (as is true of many things), **it is the responsibility of each individual to make their own informed choices. Many Australian's view this as an infringement on their freedom and right to choose** *.*

ASIC, please do not act like *a bull in a China shop*, smashing down the whole system simply to show your newly granted authority in this area. Please also be mindful of the real

Australian's lives who will be negatively impacted by these changes, such as those who have sacrificed time and money to educate themselves to trade CFD shares carefully and skillfully.

- Margin close-out protection. **Please do not remove the margin call warning feature** as it allows the client time to choose if they want to add additional funds to protect their investment. **Closing positions out automatically will expose clients to more harm and losses**, which otherwise may be avoided by keeping positions opened for additional time. Referring to the aforementioned point that many providers already have a policy that losses cannot exceed deposits, **a client may choose to keep a position open and should have the ability to choose to do so with a margin call warning. Automatically force-closing positions without notice would force clients into losses that might otherwise be avoided by keeping positions opened.** Please remember that a profit or loss is only locked-in after the position is closed. This is especially important with trading CFD shares, as prices move up and down daily and throughout the week.
- Whilst there may be a lot of pressure from Europe and ESMA to enforce changes here, Australia can also choose independently what policies are best for Australian's and it's own national sovereignty. Furthermore, Europe's economy and politics are a total mess, why should we blindly copy them?

Perhaps if we put our heads down we can come up with an improved policy to regulate CFD in such as way that both protects vulnerable people and doesn't ruin it for everyone else. For example, a possible solution could be to have different account types or tiers for retail clients. In this case new/less experienced clients would operate with restricted accounts and restricted leverage, and educated/experienced clients would be allowed to hold a higher level account with higher leverage, perhaps after a 3 month period or after providing evidence of their competence.

ASIC, it is your responsibility to do better for all Australian's. Mindlessly slapping on some new rules from Europe is **not** acting responsibility. The proposed new changes will be detrimental to many Australian's, who rely and depend on you to act carefully and responsibly.

Thank you for your consideration.
Sincerely,
Andrew Scott.

Feedback it’s traders’ responsibility

From: Sue Ange [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 25 Sep 2019 13:03:27 +1000

Dear Sir/Mam
I’m a CFD trader , I hope the new proposals will not be implemented. The new proposals is a deprivation of a powerful wealth creation tool. I have traded CFD for several years, Im happy with the current margin requirements, wishing for no changes proposed by ASIC. Traders should take positions at their own discretion. As adults , we should take responsibility for our own choices and their consequences, whether to trade or not to trade. Inexperienced traders might find it hard to make money trading CFD, they should work on gaining more expertise and discipline, instead of blaming margin providers for financial losses. How we people will ever learn to take responsibility of our own decisions if we can easily blame others for our failings. Again policy makers , please kindly leave us with more options, more freedom to trade , we will carefully choose to employ them with caution and prudence.
Thanks and kind regards
Angela Su
Sent from my iPhone

feedback

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Wed, 18 Sep 2019 23:12:54 +1000

Hello, for me have a leverage 1:500 in forex is good and I am not in danger because i have did a forex course and i kwon the danger of the forex market.

If we are agree for decrease the lever I go away from your broker and i change another broker that give me a 1:500 leverage on forex and other market

Feedback

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Thu, 12 Sep 2019 22:44:07 +1000

Dear ASIC,

I wish to remain anonymous, however wish you consider my comments. My comments are related to CFD products only.

Having read ASIC proposal, I understand ASIC's concerns and appreciate the motive behind the proposed intervention. In my opinion, I do agree that some of these issues, risks and major losses within this industry. However, I do not entirely agree with the mechanism and methods that are proposed to regulate and/or to protect all users. Any changes, I believe should be beneficial to all parties including individuals that perform versus those who don't, and there should be alternate and sophisticated methods in doing so providing flexibility and not cold/hard restrictions.

My thoughts on the following areas tackled by ASICs are as follows:

1. Protection from negative in total trading account value - Protecting all retail to ensure that their capital does not ever go to negative. I agree that this is right. However should only be limited to not owing the broker when trades go negative, not 50%.

2. Risk Appetite - All traders should have the option of their appetite of risks. I do not agree with ASIC capping leverage, however suggest that risk should be at the individuals discretion. A trader should be able to decide his own level of risk and exposure, and all brokers should be able to provide this option and flexibility. Perhaps all brokers should provide a default setting of 1:20 but allow leverage up to 1:500 at the traders own discretion and acceptability of the risks involved. Also, are providing warning of the risks from the broker of doing so.

3.Education - Having traded for a few years there is of course the journey of losses and wins, and of course in the earlier years more losses than wins. I have been studying finance for many years and is of the opinion that majority of traders who enter this market do not fully understand or appreciate the instruments they trade, nor the factors the drive the market and that most complaints are generally driven by emotions of losses. I believe that education is important and would suggest that most brokers should provide their customers and perhaps ASIC make available a fair and reasonable of education to the retail investor prior to them proceeding with trading and acknowledgment that accept the risks.

This industry is growing (as per ASIC's study) and should be improved but not crippled with a blanket intervention. At the end of the day, it is the fairness of the contract between the broker and trader that counts, which should be flexible to enough to change and be tailored to each individual trader circumstances.

Regards,

Re: Important Notice - ASIC Consultation Paper 322 – Industry Changes: My trader opinion

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: trading fpmarkets <support@fpmarkets.com.au>, cp322@fpmarkets.com.au
Date: Wed, 18 Sep 2019 18:38:09 +1000
Attachments: Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes)

Hello:

My opinion about ASIC potential regulatory changes of leverage, margins and many others things is that it will be a **very negative change** because you will lose many current clients who are happy with the current legal regulation.

For the proper functioning of trading **it is only necessary to verify that traders are adult, responsible people and that they know the concepts of leverage, margin, etc. and above all that they know how to use them correctly.**

Please, I hope you think about it and consult it with all traders before making this potential negative change.

Thank you very much.
King regards.

El 18 sept. 2019 1:33, "FP Markets Team" <support@fpmarkets.com.au> escribió:

Contact Us

Dear Client,

IMPORTANT - Potential Regulatory Changes affecting you, the trader

In August 2019, the Australian Securities Commission (ASIC) released a consultation paper which will significantly affect the way you trade.

The key changes which may have the most significant impact on your trading are as follows:

1. Leverage will be restricted from 2:1 to 20:1 depending on the instrument that you are trading. Please see a full breakdown below.
2. Proposed regulations will make it mandatory for clients to be liquidated if a client's margin falls to 50% or less of the initial required margin.

This consultation period invites brokers and other relevant stakeholders (clients) to provide feedback on the proposed changes.

As such, if you have a view on this, we urge you to provide your feedback to the following email address:

Market.Supervision.OTC@asic.gov.au

We are interested in your feedback so we would appreaciate copying in FP Markets at CP322

@fpmarkets.com.au

ASIC will close the consultation on the **1st October 2019** so if you would like to provide feedback, please do so before this date.

FP Markets will continue to engage with ASIC over the coming months
as it
believes in a consistent approach to regulation and raising standards in the industry.

The full consultation is available here

but please find below a brief summary of the proposed changes which ASIC are proposing will be introduced for retail clients:

1. Maximum leverage rates

The following leverage restrictions (i.e. increased margin requirements) have been proposed for retail traders:

- 20:1 leverage on currency pairs and gold = 5% margin (currently 1:500)
- 15:1 leverage on major indices = 6.67% margin (currently 1:100)
- 10:1 leverage on commodities (excluding gold) = 10% margin (currently 1:100)
- 2:1 leverage on cryptocurrency-assets = 50% margin (currently 1:2)
- 5:1 leverage on shares or other underlying assets = 20% margin (currently available from 5%)

Set out below are illustrative examples of changes to the capital outlay required to open positions under the various asset classes based on our current maximum leverage allowance:

2. Margin close-out

ASIC has proposed a margin close-out rule at 50% of the initial required margin. This means that if the funds held in a retail client's CFD trading account fall to less than 50% of the total initial margin required for all their open CFD positions on that account, CFD positions must be closed.

3. Negative balance protection

ASIC has proposed "negative balance protection" to ensure that retail traders are unable to lose more than the money available on their account. If a retail client's balance does go negative, the broker will be obliged to bring the balance back up to zero at its own cost.

4. Real time disclosure of overnight funding costs

4. Real-time disclosure of overnight funding costs

Overnight funding costs will need to be disclosed in the trading platform rather than simply on the client statement as applies currently.

5. Prohibition on inducements

Incentives will not be permitted to be used to attract retail clients or prospective retail clients to open or fund a CFD trading account or to trade CFDs, by offering a gift, rebate, trading credit or reward.

For the avoidance of doubt, ASIC does not consider informational services, educational tools or research tools as incentives.

6. Risk warnings

Risk warnings will feature more prominently to all retail clients and prospective retail clients on any form of documentation, PDSs, trading platforms advertising and websites.

These risk warnings will include:

- The complexity of the Products and likelihood of losses

- The Percentage of clients that have lost money in a 12-month period

7. Transparent pricing and execution

Brokers will be required to maintain and make available on their website, a CFD pricing methodology and a CFD execution policy.

The CFD pricing methodology must explain how we determine our prices, and t he CFD execution policy must explain how we address our clients' intention to trade and the effects thereof.

How to Respond to ASIC

ASIC is seeking feedback from all stakeholders who are impacted by these proposals, including traders like you.

We strongly urge you to provide ASIC with any feedback you may have regarding the proposals **to the email addresses set as above** in order to shape the future of the industry.

Kind regards,
FP Markets Team

Level 5, Exchange House
10 Bridge Street
Sydney NSW 2000
Australia

You should consider the information in light of your objectives, financial situation and needs before making any decision about whether to acquire or dispose of any financial product. Contracts for Difference (CFDs) are derivatives and can be risky; losses can exceed your initial payment and you must be able to meet all margin calls as soon as they are made. When trading CFDs you do not own or have any rights to the CFDs underlying assets.

FP Markets recommends that you seek independent advice from an appropriately qualified person before deciding to invest in or dispose of a derivative. A Product Disclosure Statement for each of the financial products is available from FP Markets and can be obtained either from our website or on request from our offices and should be considered before entering into transactions with us. First Prudential Markets Pty Ltd (ABN 16 112 600 281, AFS Licence No. 286354).

Consultation Paper 322

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 29 Aug 2019 21:00:00 +1000

ASIC,

Please consider that many retail clients/regular people rely on CFD to supplement their income. Furthermore, please consider that many retail clients are not "gambling", and do indeed follow informed trading methods based on careful assessment, study and education. Many retail clients have spent considerable time and money to educated themselves and develop their trading methods.

Please consider that raising leverage requirements for CFD trading to 20% would remove the ability of many retail clients to continue trading and earning their income, which they rely on for living expenses.

While there is a risk to trading CFD (as is true of many things), it is the responsibility of each individual to make their own informed choices.

Thank you for your consideration.
Sincerely,
[redacted]

Feedback

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 18:25:28 +1000

Hello ASIC,

while I applaud your efforts to protect retail traders from unscrupulous
brokers and unforeseen

wild market swings, I think the leverage ratio's are too restrictive.
Protection from negative balance

should be mandatory as well as the 50% minimum balance of open trades as
this also helps to protect

the brokers from rapid changes in market prices.

I do not have an opinion on binary options or CFD's

Regards

[redacted]

[No Subject]

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 20:25:39 +1000

I feel this a terrible idea to reduce the leverage on Australian financial products

- It was cause a loss in revenue to brokers and cause job losses with Australian Financial Industry
- Retails FX clients will be unable to get the desired returns a global market where returns are extremely hard to find with global Bonds at negative rates
- It will also force me as an individual, to move my money overseas to access the financial instruments I require to earn a living.

Please remove the proposal and allow individuals the opportunity to get better returns than the market has to offer.
Regards
[redacted]

CP 322

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Wed, 25 Sep 2019 12:25:45 +1000

Dear ASIC,

Please see my shot submission.

I am a retail client of a CFD provider. It is my opinion that binary options should not be offered as retail products, and leverage ratios of CFDs should be decreased, but possibly not by as much as you are considering.

If you are going to publish submissions can you please de-identify this one.

hope you have a nice day.
[redacted]

Feedback

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: [redacted]
Date: Sat, 28 Sep 2019 13:36:03 +1000

Hi There.
I am [redacted] and I'm writing to provide feedback in relation to 'ASIC's consultation paper 322 - Product intervention: OTC binary options and CFDs'.
I am an account holder with Pepperstone and am very happy about the service being provided by the team – I also love trading.
When I joined Pepperstone, I went through a journey of personal study because I am not a big risk taker and wanted to understand all the computations involved in relation to my account from a trader perspective.
I have established a set of processes and procedures that I follow thoroughly in order to ensure that I maintain a healthy account.
Before venturing live on this, I met with Pepperstone representatives to discuss risks and ways to stay away from any potential pitfalls in the market and while I consider myself still very new to trading, I also see myself as very responsible.
I have come to love the process of daily checking my charts.
Since this paper impacts my situation, it's important to provide feedback from this perspective as it would be a real shame if these my trading becomes restricted.
My drive to trade was to supplement my financial health as I have been finding that my career is not providing for the financial growth that I need in order to experience the life experiences that I seek.
Leveraging tools are available to allow for taking a small and well managed risk and turning it into a much greater opportunity.
I find that when used responsibly, the leveraging tools available can provide a chance of hope for the lives of all the responsible people out there who do not have enough financial resources to support their life properly.
I find it hard to believe and very difficult to accept that people who are at a much higher financial position in the financial ladder can take advantage of such mechanisms for growth with much greater risks and rewards.
All the while, people at a lower scale who are restricted from living the life they truly deserve cannot take advantage of such opportunities in an attempt to strengthen their financial position while taking ownership of the risk they are taking in order to be able to have that one chance of hope in their life.
I trust this message comes clear and delivers the perception that I seek to present respectfully towards all involved.
I appreciate that this is treated with the utmost responsibility and respect it deserves.
I would like to thank you for investing the time out of your day to look into this and I look forward to hear positive news regarding the matter – I wish you a great day ahead.
Sincerely,
[redacted]

03 September, 2019

[redacted]

To whom it may concern,

Regarding proposed leverage changes on CFDs over currency contracts

I am a home trader and would like to comment on ASIC's intention to restrict the leverage Australian brokers can provide on CFDs over currency contracts to 20:1.

20:1 leverage on CFDs over currency contracts

Firstly, *I wholeheartedly support the proposal* to restrict spot forex leverage to 20:1. I expect it will significantly slow a trader's losses and thereby provide them with additional time to reflect upon their actions.

However, I would like to propose that "skilled" traders should not be punished for the behaviour of unskilled traders. And therefore a "skilled" trader should have access to leverage greater than an unskilled trader.

Defining "skilled"

This of course is subjective, however as an example, a "skilled" trader could be defined as,

A trader whose live account has:

- profited at least 10% pa for 2 years,
- is "regularly" traded,
- and whose drawdown has not been greater than 10% at any time.

If a trader fulfils this definition they are given access to leverage higher than the unskilled trader; perhaps 40:1? And if the "skilled" trader criteria is not sustained after the increase in leverage has been granted, it is revoked.

In the event that ASIC does decide to include a provision that increases leverage for "skilled" traders, can I also propose that the account size in dollar terms not be used as a measure for defining a "skilled" trader. Given the dollar value deposited into a trading account in no way reflects skill.

Conclusion

I propose that "skilled" traders should not be punished for the behaviour of unskilled traders. As such "skilled" traders should have access to a higher leverage than unskilled traders.

Furthermore, the availability of a higher leverage available in Australia when compared to other regulated jurisdictions, has the added advantage of attracting overseas brokers and customers to our shores.

Thank you,

[redacted]

[redacted]

Submission re changes to OTC financial products / leverage

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 16:53:47 +1000

To Whom It Concerns

Have been using these products successfully for many years so do not wish to see change, however if a decision is made to make changes, consideration of significant notice would be appreciated (i.e > 90 days). Anything short of this is likely to induce forced losses.

An alternative would be to have changes apply to new positions only.

Kind Regards
[redacted]

Consultation Paper 322 CFDs

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Tue, 01 Oct 2019 16:57:52 +1000

Dear OTC,

I wish to comment on the plan to change CFD Regulations.

I prefer that there be no change, so that leverage of up to 500:1 (0.2%) is still available.

CFDs are my preferred method of trading.

I am 70 years of age, took a separation package from my previous employer 6 years ago, and trading financial markets is my main occupation. I have been trading CFDs for over 2 years now and am in front financially. I did a lot of paper trading in Demo accounts before I started trading CFDs real time real money, and I always use tight stop losses.

There certainly is potential for losses to occur and I believe this potential for losses applies to all forms of share trading and all investments for that matter. My experience with CFDs is that Brokers have kept a close watch on margins and cash in my accounts and will issue a warning if limits are approached. It is certainly possible to lose all the cash in one's account but I don't think it is possible to have unlimited losses beyond what is in the account because Brokers will close the account if limits are reached despite their earlier warning notice.

The advantage of CFDs at current leverage levels is that small traders like myself, have the option/potential to control significant assets and therefore make significant profits.

In the current age of low interest rates, retirees I know are concerned about how to make their money grow. I believe it is preferable to have as many options (including CFDs at current leverage) available as possible.

From conversations I have had with other CFD traders, it would appear there is the strong possibility that some people will consider trading off-shore if Australia limits CFD leverage so drastically. To me this move off-shore would pose great additional risks.

In summary, I would prefer CFD rules and leverage to remain unchanged. If this is not possible then I suggest minimal changes only, phased in over a number of years.

Regards

[redacted]

Feedback on Proposed Product Interventions Noted in Paper 322

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Tue, 01 Oct 2019 21:19:04 +1000

OTC Intermediary Compliance
Market Supervision
Australian Securities and Investments Commission
Level 7, 120 Collins Street, Melbourne, VIC 3000
email: Market.Supervision.OTC@asic.gov.au

Re CONSULTATION PAPER 322

Product intervention: OTC binary options and CFDs

I'd like to offer the following comments as a private citizen in relation to the proposed interventions.

1. The commentary in the consultation paper appears to be one-sided, and many observations made combines binary options with CFDs. A more balanced approach would likely lead to better decisions on what interventions are likely needed. For example, how do the results of retail investors in CFDs compare with the results of investing in non-derivatives eg shares?
2. Regulatory arbitrage is mentioned however it is not clear how foreign issuers may be thwarted?
3. To the extent that CFDs have meaningful economic utility, it is difficult to justify restrictions in the context of a capitalist system. Given that the main concern relates to retail investors incurring losses, then why not limit the restrictions to retail investors who do not have a record of profitable trades? Retail traders with proven profitability would be unfairly hindered by the proposed restrictions aimed at traders who are unable to protect themselves.
4. Improving risk awareness and limiting losses to account balances or initial investments are strongly supported and should be extended to all investment products for retail investors (eg it would be helpful to know the percentage number of retail investors who incur losses trading in shares).

Y
[redacted]

RE: How will the ASIC consultation paper impact you?

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com, [redacted]
Date: Sun, 01 Sep 2019 11:42:23 +1000
Attachments: Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes)

Hi,
As a relatively small account the proposed margin changes are likely to force me to close my account, and I am sure there will be plenty of other small accounts that will suffer also. If this is the intentions of these proposals then so be it.

1. **Minimum Margin Rates**

I ALWAYS use GSLO's on every single trade with out fail. For this I pay a premium and feel that the margin for a trade with a GSLO should be considered differently to a trade that does not use GSLO. I feel the below margin rates are far too high if introduced with item 2 below.

Minimum margin rates

The following leverage restrictions (i.e. margin requirement increases) have been proposed for retail traders, resulting in increased margins across most of our markets:

20:1 leverage on currency pairs and gold = **5% margin**
15:1 leverage on major indices = **6.67% margin**
10:1 leverage on commodities (excluding gold) = **10% margin**
2:1 leverage on cryptocurrency-assets = **50% margin**
5:1 leverage on shares or other underlying assets = **20% margin**

2. **Margin Close-out**

If this is introduced with the proposed minimum margin rates you will force smaller accounts to close. In my case this also takes much needed funds out of a high interest earning bank account to put into the CFD account which does not offer any interest just to be able to trade. The more money I have in the bank account the better as this offsets any interest I am being charged by the CFD provide for holding positions overnight. This change will dramatically affect the way I want to trade and also my profitability over the long term.

Margin close-out

ASIC has proposed in a 50% margin close-out rule, at an account level. This means that if the funds held in a retail client's CFD trading account fall to less than 50% of the total initial margin required for all of their open CFD positions on that account, we must close CFD positions.

Please reconsider bringing both of these changes in.

[redacted]

From: IG <helpdesk.au@ig.com>
Sent: Thursday, 29 August 2019 6:42 PM
[redacted]
Subject: How will the ASIC consultation paper impact you?

View this email **in your browser.**

IG

LOG IN

Forgotten details?

Dear Client: Daeroch Pty ltd

ASIC recently announced several proposals that may affect the CFD industry in Australia. At the moment, these proposals are in the consultation phase which means that no final decisions have yet been made. For full details on the proposed changes, please click here.

Please note that these are only proposals and there is no change to the way you trade at this stage.

IG is a global leader in financial trading. For more than 45 years, we have been committed to providing informed and adventurous people access to trading opportunities in the world's financial markets. We fully support the efforts of regulators to drive up standards within the Australian CFD Sector. We have also seen similar proposals recently implemented in other regions in which we operate, including the UK and Europe. Through our global expertise, award-winning technology and our strong commitment to serving you, we will support you through any of these upcoming changes.

During this consultation phase, ASIC are interested to understand how their measures could impact your trading. Should you wish to respond directly to ASIC, you are able to do so here by 1 October 2019.

The proposed changes will not impact wholesale clients, so if you qualify to be classified as a wholesale client, then you should consider upgrading to IG Pro. For more details on this click here or contact us on 1800 601 734 or at helpdesk.au@ig.com.

Upgrade to IG Pro

We're here to help

If you have any questions about this or need assistance with your account, our highly trained client services team is available by phone or email 24 hours a day from 3pm Saturday to 8am the following Saturday (AEST).

Kind regards

IG

T 1800 601 734
E helpdesk.au@ig.com
Help and support
IG Community

IG.com/au

All trading involves risk. Please take care to manage your exposure. The value of shares, ETFs and ETCs bought through an IG share trading account can fall as well as rise, which could mean getting back less than you originally put in.

Please remember that CFDs are a leveraged product and can result in losses that exceed your initial deposit. Trading CFDs may not be suitable for everyone, so please ensure that you understand the risks involved. You do not own or have any interest in the underlying asset. IG does not issue advice, recommendations or opinions in relation to acquiring, holding or disposing of a CFD. IG is not a financial advisor and all services are provided on an execution only basis. Please consider our Product Disclosure Statement available from IG before entering into any transaction with us.

IG provides an execution-only service. The material above does not contain (and should not be construed as containing) personal financial or investment advice or other recommendations, or an offer of, or solicitation for, a transaction in any financial instrument. No representation or warranty is given as to the accuracy or completeness of the above information. Consequently, any person acting on it does so entirely at his or her own risk. The information does not have regard to the specific investment objectives, financial situation and needs of any specific person who may receive it. IG accepts no responsibility for any use that may be made of these comments and for any consequences that result.

Issued by IG Markets Ltd, Level 15, 55 Collins Street, Melbourne VIC 3000. ABN: 84 099 019 851, Australian Financial Services Licence No. 220440. Derivatives Issuer Licence in New Zealand, FSP No. 18923.

Privacy: You have been sent this email because of your existing relationship with IG. This is an essential communication. If you believe you should not have received this email please contact us.

[redacted]

I am 51 years old.

I am one of the 20% in the $80,000 to $180,000 earnings band.

I trade cfd's with City Index and FX with FXCM.

I have read a number of trading books and have attended seminars on trading.

I have had losses in line with the limits I have set.

I do not have any issues with the way the market currently operates.

I object to the proposed measures.

F1Q1 – I do NOT agree for the following reasons.

1. Item 220 states "the significant consumer detriment we have identified". I do not consider that the facts support this claim. There is nothing in the report that supports the notion of "significant consumer detriment". My view is that the data in the report shows that any detriment to consumers is generally insignificant in terms of the number of people making complaints and the average size of loss.
2. The ASIC reports states that there have been approximately 3000 complaints and that there are approx. 1million retail clients. It can be concluded from these figures that only 0.3% of clients have complained and therefore that 99.7% of traders have not complained. 0.3% is statistically insignificant and does not justify a necessity for any change.

   Of the 1 million clients, only 170,000 are from Australia. If we assume that all complaints are from Australian traders, 3000 out of 170,000 still only represents a statistically insignificant percentage of 1.7%.
3. The report, item 89 states :

   63% of clients trading FX lose. This means that 37% of FX traders are profitable.

   72% of traders lose money trading CFD's. This means that 28% of cfd traders are profitable.

   Complaints by 0.3% or 1.7% of traders is not a basis for disrupting the substantially larger number of traders that are profitable.

   The mix of cfd to FX traders is unclear but if we take the average then approx. 32% or 320,000 traders are profitable. It is unfair to disrupt them because of 3000 people looking to blame someone else for their own lack of due diligence or lack of trading education.

   Table 1 states losses in other countries that are small in comparison to annual income levels of the majority of traders. Australian losses are not stated but item 71 of the report says :

   "the UK Financial Conduct Authority (FCA) found that: …..on average, clients made a loss of between £400 and £1,200." These are hardly significant amounts. Losses can be offset against future capital gains which unlike a casino loss, gives the person the opportunity to recover the loss from a tax perspective.

4. Item 56 shows that 94% of traders are of mature adult age.
5. The income bands in Figure 4 are not reasonable. $18201-$37,000 is a $18,800 range yet the band $37,000 - $80,000 is a $43,000 range. The report states that 70% of traders earn less than $80,000 but it also shows that nearly 70% of traders earn more than $37,000pa. The source of this data is not stated. If it is from what people state on their account opening forms it is likely that the incomes are understated. Also given that the majority of traders are from Asia, the income levels should be relative to the cost of living. This entire section about income is unreliable and irrelevant.
6. Item 101. Margin does not have any impact on losses. All trading education sources talk about position sizing, usually 2% of trading capital. It has nothing to do with margin requirements. The example given is not realistic as most traders would position size based on a stop loss exit. It highlights that the authors of the report know very little about how people actually trade. The example should have read.

   Tim is an uneducated idiot with $10,000 who wants to bet on the market going up because he got a hot tip from an equally uneducated mate at a bbq. He opens a broker account, doesn't read the warnings and doesn't read their trading education materials because he thinks he is smarter than that. He throws his entire capital into one trade without a stop loss and without a plan and he is so stupid that he holds the position over night. He is charged interest in accordance with the broker terms and conditions that he didn't read. He doesn't use the guaranteed stop loss offered by his broker because he doesn't want to pay for insurance, even though he has his $10,000 car insured. The market falls and Tim is wiped out. Tim thinks that everyone conspired against him and wants his money back so he writes to ASIC and seeks to blame everyone but himself for his own stupidity.

   This is how it really works for the 99.7% of retail traders.

   John has $50,000 allocated to trading capital. He keeps this in his mortgage and only deposits the minimum required to cover margin in his broker account. He risks 2% per trade, ie $1000. He wants to go long on stock abc and will set a stop loss at $2 below the entry price. He can therefore buy 500 cfd's. The stock is trading at $70 so his position size will be 500x70 = $35000. His broker requires 5% margin so John needs $1750 plus a buffer in his broker account. The stock falls and John loses $1000 in accordance with his trading plan as is expected for around 45% of his trades. John is happy because his loss was managed and he knows that not all trades will be winners. ASIC change the rules to protect idiots like Tim from himself and the margin rate is now 5:1. John sees another setup and again wants to risk $1000 with a stop loss of $2. Again he can buy 500 cfd's at $70 = $35000. John now needs to find $7000 plus a buffer for the new margin. He takes the money from his mortgage and tops up his broker account and takes the trade. The stock falls and John is stopped out again for a $1000 loss. John has still lost on the trade but has also paid extra interest on his home loan. The higher margin did not reduce his loss amount.

Example 2. This is how high margin ratios allow traders to test a system with minimal risk. Steve wants to test an automated trading system on FX. He wants to risk $5 per trade. He opens an account with $100. He can trade mini lots that require a margin of $22. His trading program trades day and night and he is keen to see how it performs. Steve is aware of the risk of holding positions when the market is closed so his code automatically closes all trades on Friday night.

Order /	Time	Type	Size	Symbol	Price	S / L	T / P	Price	Commission	Swap	Profit
[redacted]	2019.09.30 13:45:07	sell	0.05	eurusd	1.09227	1.09297	1.09017	1.09143	0.00	0.00	6.22
Balance: 109.05 AUD Equity: 115.27 Margin: 22.50 Free margin: 92.77 Margin level: 512.31%											6.22

Asic change the rules and the margin has changed from 400:1 to 20:1. Steve now needs to deposit $2000 into his account because his margin will now be $450 even though he is still only risking $5 per trade. The program continues to trade. The algorithm does not consider margin, only % risk. The new margin makes no difference to his trading or to his risk per trade and will have no effect on the outcome of his test. Steve would rather have that $2000 sitting in his home loan. The test will fail or succeed based on the trading plan, not the margin requirements.

While writing this submission Steve's program closed the trade above for an $18 profit, more than 3x the $5 risk. If a higher margin were used, the profit would be the same. The higher margin will not benefit him in any way. Steve's account is purely a live testing account and could become a losing statistic, but it would be a pre-determined and insignificant loss.

Order /	Time	Type	Size	Symbol	Price	S / L	T / P	Price	Commission	Swap	Profit
Balance: 127.78 AUD Equity: 127.78 Free margin: 127.78											0.00

7. Broker collapses such as the Halifax failure have not been considered. A profitable FX trader using $20,000 margin in a 400:1 account will now have to deposit $400,000 to continue trading with the same lot sizes. They are now risking an extra $380,000 should the broker collapse. Such a substantial sum would most likely be borrowed on home loan mortgage and as a result the trader will incur extra interest costs. Will ASIC be guaranteeing margin funds in the event of a broker collapse?
8. I have done a lot of trades with City Index and have received rebates based on my trading volume. They do not in any way influence my trading plan but it is nice to receive them. I object to ASIC taking these away from me just because 0.3% of traders have made a complaint.
9. Item 130-134. Given that the 83% of clients are from overseas, it is reasonable to assume that this is the case because traders have rejected the measures implemented by other countries and have come to Australian brokers because our requirements are more favourable.
10. ASIC should have surveyed all of the 1million traders that will be affected and asked us what we want. This could have easily been done via our brokers.

F1Q2

I believe that most brokers have provisions to close positions at certain margin levels. I would prefer that they only close one or more positions to bring the account back to acceptable margin, not all positions. Market spikes can cause margins to drop for a split second so I would not want all of my positions closed in these cases.

F1Q3

Risk warnings are everywhere and we are overwhelmed by fine print that most people don't read. The majority of traders know the risks. I do not care about this one way for the other, it will not make any difference.

F1Q4

If you decide to implement the proposed measure, and I hope that you DON'T, please make a provision that if after 18 months there has not been a substantial change in the statistics, which there won't, then the measures will be un-done and the margin requirements returned to current levels.

As this would effectively be a trial, and since possibly billions of extra dollars would be lodged in broker accounts, and since ASIC might not get the outcome it expects, you should also implement a guarantee scheme to make a provision to protect traders from loss of capital resulting from a broker collapse during this trial period.

F1Q5

Yes. If you go ahead with your proposal please delay it for as long as possible.

F1Q6

No. Traders know what to look for in a broker and there is already healthy competition. I don't think the proposed measures will change an already competitive market.

E1Q1 TO E1Q4

I do not trade binary options, I know very little about them and have no opinion on the proposals for them.

Proposed CFD Leverage Changes

From: Anthony Fedele [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 23:14:58 +1000

Hi,
I'm writing to express my concerns with the proposed changes to CFD leverage.
For myself as a retail trader this will impact on my trading ability as I will need a larger account in order to take positions, and have further exposure with the broker. Instead of having a 10K-20K account I will need anywhere from 50K to 100K and as a retail trader I am not comfortable having that money deposited with a broker.
I can understand that many lose money but this is not protecting that issue, it's up to the individual to educate themselves to trade and use correct risk/money management.
I agree with the negative balance protections, incentive programs and risk warning changes, and also changing the margin requirements but if needed to change leverage then perhaps look at 100:1 max.
These changes will basically put me back many years in order to earn any money.
I'm happy to discuss this directly.
Regards,
Anthony Fedele
[redacted]

Feedback

From: Arthur Tse [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 08:50:45 +1000

I have been using IG markets for long long time since 2007

i am disappointed with changes about CFD .

If you check my account, i am making money not lose money

regards

cheuk Tse

Response to proposed decrease in leverage allowed for CFDs.

From: Bailey Johnson [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sun, 29 Sep 2019 17:53:59 +1000

Dear ASIC,

I have been made aware that you are considering to reduce the allowed leverage on CFDs. I do not deny that leverage of 400:1 on fx pairs is extreme, however to pull this back to 20:1 is obscene. At this stage I trade at 100:1 leverage on fx pairs which for me is adequate and allows me to not hold all of my capital with my broker, hence reducing my risk further. With the proposed changes I will need to hold more capital with my broker. These changes will affect the way I trade.

I risk a total of 1% of my capital on any one trade and one the occasions that slippage has occurred I only lose roughly 2-3% maximum with weekend gaps. I understand that some people risk a lot more than that with their trading and hence these changes will impact them moreso.

However for those of us that use the leverage with adequate care and risk management, these changes will push traders out of Australia and into other areas of the world. Particularly with Australian tax rates as they are, many of the profits that consistent CFD traders pay are incredibly high. Take the UK for example, CFD trading is considered gambling due to the low success rate and hence profits are tax free.

If you make these changes then you will see huge fx capital move out of Australia and into looser markets.

Regards,

Bailey Johnson

Product intervention: OTC binary options and CFDs

From: ben green [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 26 Sep 2019 16:42:35 +1000
Attachments: asic response.docx (30.48 kB)

Hi,

I am a retail trader.
Please find attached a word document which outlines my concerns to your proposed changes to margin rates.

Thanks

Ben

Feedback

From: Ben Griffiths [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Sun, 29 Sep 2019 14:44:55 +1000

To whom it may concern,
I have read the proposed changes to CFD and binary option trading and agree with some of the suggestions, however I completely disagree with the proposed changes to minimum margin rates, margin close out and prohibition on inducements.
Minimum margin rates proposed changes, After looking at the changes for retail traders I will no longer be able to financial trade currency pairs, major indices, commodities or cryptocurrency. This is going to drive many trader to use dodgy oversea CFD Providers. Me Personally, I will have to get a personal loan to fund my CFD account If I wish to continue trading the mentioned assets which I really don't wish to do, but I will If I have too. In your paper you mention that 80% of traders lose money, what about the 20% that make a living from trading CFD. I have been trading currency pairs, major indices, commodities for over 5 years to diversify my trading portfolio and find the proposed changes to Minimum margin rates to be unfair.
I have been told wholesale traders will not be affected, I don't qualify as a wholesale trader, your proposed changes DISCRIMINATE TRADERS BY NET WORTH.
Margin close-out. Changes to this rule will affect my trading as I keep most of my money in a bank account and then transfer funds to my CFD if my margin is running low. This is unfair
Prohibition on inducements. Changes to this rule is completely unfair for retail traders and should be scrapped.
Many of these proposed changes to CFD and binary options trading Is DISCRIMINATING TRADERS BY NET WORTH. If you are going to make these changes Please have a time limit (1 to 2 years) then after this period allow retail traders the same rights as wholesale traders.
Thankyou
B C Griffiths
Sent from Mail for Windows 10

Feedback

From: Ben P [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Thu, 12 Sep 2019 02:10:50 +1000

Keep the leverage as normal its beneficial for everyone and we get margin calls anyway, you can always do a margin call earlier as well.

ASIC Consultation Paper

From: Bernard Voigt [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Wed, 18 Sep 2019 10:46:32 +1000
Attachments: Unnamed Attachment (68 bytes)

Hi
I strongly object to the proposed changes to the maximum leverage rates. I supplement my income on a monthly basis trading the major currencies and indices. I do not have a lot of capital but I do make a profit every month which helps me survive. With your proposed leverage increases I will not be able to trade and therefore not survive.
There must be lots of individuals in Australia in the same position as me.
Bernard
"Enjoy yourself. It's later than you think."
"If not now, when?"
