CFD changes

From: Bilal Ahmed [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 10:58:50 +1000

Hi,

I believe the proposed changes are very strict and it will kill the retail side of the trading. Reducing it to 20 will be a very harsh decision. Reduce it to 100 at max if needed. Market is slow and and people need leverage to make small profits. Reducing it to 20 means no more retail traders which will impact brokers in the end and people will move to off shore unregulated brokers.

Thanks

Proposed Changes to Trading Leverage Rules

From: Bill Dean [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 23:50:07 +1000

Dear ASIC,

I would like to say that I am opposed to your proposal to change the trading leverage rules. I am a client of FXCM and the reason a small player like me can trade instruments like Forex and CFD's is because it is affordable which makes it worthwhile. Unfortunately society today likes to make rules for minority groups as in this case. People who don't know what they are doing while trading high leverage instruments will inevitably be unsuccessful and could lose a lot of money.

You can't make rules for fools which penalizes the majority.

If ASIC is successful in bringing in these changes then it will probably push a lot of small players like myself out of trading. It will not be worth the small rewards at a high cost but I cannot help but think that maybe this is their goal.

In my humble opinion all that needs to be done is to make sure that NOBODY can trade without having a STOP LOSS. This way ANYBODY WHO IS TAKING A TRADE WILL KNOW BEFOREHAND EXACTLY HOW MUCH THEY WILL LOSE IF THE TRADE GOES AGAINST THEM AND THE STOP LOSS IS TRIGGERED.

Please don't penalize the majority to try to protect the foolish minority.

Regards,

William Dean

Proposed changes to rules for CFD trading etc

From: Bill R [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 11:37:02 +1000

"Trading 101" has a few comments/examples on Position Sizing and Trade Management, which, if implemented by the Broker, would go a long way to reducing this problem.
1. Trading Capital to fund the trading account.
2. Percentage of Trading Capital to Risk on any one trade - usually in the range of (0.5% to 2%)
3. Entry Price, Size of Trade, Instrument, Exchange etc, and most important, Initial Stop Loss.
4. The difference between the Entry Price and the Initial Stop Loss is applied to the Risk Capital to determine the Size of the trade.
If the Broker applied these filters to any potential Trade, ie. check on the percentage of the Trading Capital used on any one trade (0.5% to say 2%) and
Required the Initial Stop Loss value, along with the other necessary values to place the trade. If no Initial Stop Loss is provided, the trade is blocked with a warning to the Trader that it is necessary before a trade can be actioned. In addition, this Initial Stop Loss cannot be widened or removed while the trade is open. It can be tightened and/or Trailed.
The above covers each individual trade.

In a wider view, if the Trading Capital falls by, say 25%, the Broker could suggest to the Trader that he/she could benefit from using a demo account with virtual funds, to refine that person's Strategy.
In my limited experience with two Brokers, they have a system in place to prevent a Trading Account from going into negative value.

In summary, the mandatory requirement to control the Trading Risk / Trading Account value to the low percentage value, AND the same for the Initial Stop Loss, should go a long way to helping to solve the problem of inexperienced Traders.

The problem is not the available Leverage, but (1) the absence of keeping the Risk Percentage to the low value of about 1%, AND
(2) the mandated use of the Initial Stop Loss requirements. This puts more responsibility on the Broker, but technology and hardware should easily overcome any perceived problems on the Broker's part.

I am sure that none of the above suggestions are new to regulation authorities, but I have stated them, to relieve my own frustration if such a system was implemented.
Bill Rowland

Feedback

From: BobbySun [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 20:24:28 +1000

I have been using FXCM trading CFD Us indices gold etc my account is small $2500 if I don’t have leverage I can’t trade so I hope leverage remain no change please thank you regards YUNqing sun

[redacted]

Feedback

From: Braden Gardiner [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 29 Aug 2019 20:34:04 +1000

To whom it may concern,

I have been in the industry and privately trading for many years now, in a range of products both leveraged and non- leveraged. I understand that many traders can loose money trading leveraged instruments but would whole heartedly disagree that it is due to the product. I have traded Futures, Options, CFDs and Spot FX which are all leveraged. My results do not vary, depending on the investment instrument, by any means and I know that applies to most people. I feel that the industry would be much better served with retail client education rather than slashing margin levels. One thing that I have found is that CFDs have given small funded retail clients the opportunity to learn how to trade using small amounts of risk. It is an unfortunate fact that many people loose money in the markets but one that is across the board (shares included). I beleive that this will always be the case and a reduction in margin levels will only prolong the outcome.

Feel free to contact me for a further discussion.

Regards
Braden

Feedback

From: Brad Holland [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 16:06:06 +1000

Hi ASIC,

I am writing this email in response to the proposed changes to CFD's and binary options.
I have been trading these products successfully for over 10 years, the proposed changes you have mentioned I believe will increase losses experienced by traders not decrease them. The increase in margin requirements, margin close out and negative balance protection doesn't reduce the loss experienced and very likely has the opposite effect. I myself use CFD's in a mixture of ways, from simply short term trading to things that act as a hedge against another position(s) in a portfolio, so whilst I may make a loss on one position it has been done to limit my risk in another position, so overall I make a profit. To increase the margin on these products, or to close out a position before a set stop loss actually is hit then increases the risk as it could leave a position exposed without the hedge they had placed, making the hedging ineffective and then making the overall trading strategy become a loss.
CFD's and binary options should not be viewed in isolation as they are another financial instrument that forms part of a broader market that people use to develop an overall strategy. So for all the capital gains out there from trading shares directly there would be a portion of them that are offset by the loss incurred in a derivative or vice versa.
I do however support the proposals on having real time disclosure of position sizing and overnight funding costs as it makes traders more aware of the position they have and in my instance would save me from having to manually calculate this each time.

There are two main areas that I believe should be of focus, this is education and the providers. Many people trade these products without understanding the leverage and also how they operate. To force people to have compulsorily basic educational sessions on how a product operates, the leverage and effective risk management would be a step forward as many people maybe entering this type of trading with very limited knowledge and this is where they would be occurring large losses.
The second major issue in these instruments is the spread that providers charge, my belief and experience in teaching people how to trade these profitably is that the spreads or brokerage can become obscenely high which is having people who don't understand the products well wanting to take larger positions to counter this and this is where their exposure and risk becomes far greater. The lack of transparency and consistency in spreads that can change anything from 1% to 10%, (this movement is not limited to just highly volatile markets) this has people taking a large loss position before they even have a single pip of movement, so a trader that could be looking for a 20 pip movement can in the blink of an eye have a spread of 1 or 2 pips jump to 5-10 pips with an at market order then their order is filled at the larger spread making what was an effective trade become a lot more risky and increase the losses and reduce the profits. So I would support a cap on providers spreads and brokerage rates to reduce the erratic movements and enable people to stick to strategies and have full control over the exposure they have.
The biggest issue in all financial products whether its banks and fees, fee for no service or brokers and spreads they are forcing people who want to participate in the markets to take on more risk and incur greater losses in order to boost their own profits.

Regards

Brad Holland

I disagree with Lower Leverage

From: Breian Malupa [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Tue, 24 Sep 2019 14:17:39 +1000

To whom it may concern,
I, Breian Malupa, a retail FX trader with FXCM would like to express that I disagree with the idea of lower leverage.
Lowering the leverage offers no protection to consumer.
You guys want to protect the consumer >>> Shut down Melbourne Crown Casino. Shut down the Pokies machine.
And leave the FX leverage alone.
There are plenty of things/priorities ASIC should be addressing.
Don't you guys have nothing better to do and can't find better use of your time and energy on more important things?
Lowering the leverage offers no protection to a reckless trader, in fact, it does the opposite.
If you lower the leverage, people are just going to fund their account with more money to lose.
While a higher leverage, the account is smaller, meaning smaller loses.
You know why guns have never been banned in the US???
Because statistics and research shows that you have less criminals entering a house knowingly the occupant of the house has a gun. There are less burglary of household and business, because they have a gun. Despite the number of death of shooting in the US, there were more death of shooting in Venezuela because not everybody has a gun in Venezuela.
What's my point??? it is the same with LEVERAGE.
The outcry of killer leverage are coming from a congnitive dissonance bias not back from objective quantitative science.
You want to protect the consumer:
Screen out people with high debt (their asset against their liabilities)
Screen out people who can't afford it.
Screen out the party poopers and protect the responsibile people instead.
Begards,
Breian Malupa

Proposed Changes to Currency and Share Trading Products - Consultation Paper 322

From: Bryan [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 09:29:12 +1000

To Whom it May Concern,

I would like to express my views on the changes proposed in Consultation Paper 322.

Specifically I am concerned as a retail client that restriction of margin to 20:1 on CFD's will result in over-trading and will negatively impact my ability to generate a retirement income.

I currently enjoy a margin of 400:1 with my broker. I trade actively and carefully, and monitor my account on a regular basis when I have open positions. This ensures that I am able to close out losing trades quickly. I also close out profits early to ensure that winning trades do not turn into losing trades.

I ensure that all account charges and fees are calculated and included in my trading, and specifically monitor overnight interest charges to ensure that I only close positions when in profit AFTER charges have been included.

The proposed change would impose significant, unfair and unwarranted restrictions on my trading, and reduce my ability to generate a second income from my trading.

Further, I believe the proposed change would result in positions being held open for longer as investors hope for larger profits. I also believe that the changes will result in "over-trading" as people seek better returns.

I would support a "sliding-scale" on leverage where investors have to show by verified account that they have the appropriate money management and trading experience to manage their risk. For example a new account holder would be restricted to 20:1 leverage but an active investor/trader with long-term profitability (say over 12 months) could be offered higher leverage.

Thanks for your consideration.

Bryan Aldridge

Re: 50 % Sin Bin Rule

From: C Abblitt [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 20:58:18 +1000

I Have used This Rule For the last 20 Years & It Has stopped me from going bankrupt Quicker than other players, Taught To Me By David Bowden ..Novices Reluctance To use a demo Or Virtual Account , as it is named now is the problem

Sent from Mail for Windows 10

Feedback

From: Calvin Graham [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Sat, 31 Aug 2019 10:55:46 +1000

Hi ASIC,

I strongly oppose the proposed changes to CFD and Binary trading. As a financial trader, this will impact my ability to trade and make profits inside the market for which I am successful at. Just because consumers get into the market uninformed, and without the proper skillset to trade doesn't mean that other professional traders should suffer.

If anything, I would recommend implementing some sort of mandatory induction or training for CFD brokers when retail traders sign up, to ensure they are well informed and cannot blame the broker for 'taking their money'. In reality, these traders have poor risk management, and are not knowledgeable or have the right skills for trading in the financial markets.

Please do not impose, what I would call a punishment, on professional traders because of uninformed and untrained traders. Please consider the ramifications on us, and also, what else you can implement to address the root issue - being poor risk management derived from a lack of training and education.

Kind regards,
Calvin.

Feedback on binary and CFD trading proposal

From: Catherine Zhao [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 25 Sep 2019 13:17:55 +1000

Dear ASIC,
Thank you very much for taking the steps towards protecting retail traders, by drafting the proposals.
I have been trading CFD products on IG platform as a retail trader for a few months, with frequent observations and high volume of trade positions opened and closed. I have the following as suggesting to further protect other retail traders –

1. Highly recommended beginner/intermediate level/more advanced courses for individuals who claim to have no/some/good experience in trading of this kind. CFD products present much higher risk, compared to normal share trading, as such it benefits individuals to take courses (provided by platform providers, for example), before they can trade. Government agencies or relevant organisations should be able to provide open education materials that are easy to find on the trading platforms, for individuals to learn as much as they can before and as they trade. Otherwise further restriction should be applied to protect them from irrational behaviours;
2. Guiding principles should be clearly stated and consistent on both government information hub/s and trading platforms. These principles should include – a. awareness of psychological effect as a result of successful or failed trades; b. self-discipline in daily routines and trading behaviours (e.g. no betting);
3. Provision of technical tools to individual traders to work out how much fund they should put into CFD products based on individual goals, financial situations, experiences, and timeframes. It'd be ideal if the government can provide some kind of interactive sites (something like tax return estimate) to enable individuals to work out measurables, and support them with making an informed decision.
4. The value of each point a retail trader can select should be made associated with their available fund. For example, if the total fund for one retail trader is 1000 AUD, then a trade of 25EURO per point Germany 30 with a stop of 20 points (total margin > 800 AUD) should not be allowed to execute, because it presents very high risk for the trader to lose most of the fund in one trade). Platforms should recommend alternative trading options in such scenarios for the trader to consider, e..g smaller value per point.
5. Trading platforms, for example IG that I am familiar with, should consider re-arrange trading value options, in the order of low to high value for retail traders, e.g. NZ1 at the top of the drop down list, and EURO25 at the bottom of the list.

Hope these help.
Regards,
Catherine
Sent from Mail for Windows 10

Restriction of CFD Ratio Limits

From: Charles [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 23:58:44 +1000

Dear Sirs/Madam,

We wish to indicate our objection to ASICS proposed reduction of CFD Leverage Ratio Limits.

It is after all our choice as to what level of exposure we wish to incur with the full knowledge of what any adverse movements may involve.

There are many sources of Trading Strategies and Money Management techniques from W.D Gann , R N Elliott to Murphy and Elder that the trader has as a resource, to name just a few.

Trading is a serious identification of readily identifiable Setups which the trader can successfully execute over 80% of the time with minimal risk.

Unfortunately the majority of the population do not take the time to do the appropriate research.

Hence the statistic that 30% make money on trading forex. The Pareto principle at work.

We ask you to reconsider the proposed reduction

Yours sincerely

Charles Agsten

Proposed CFD legislation

From: Charlie Mundin [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 17:33:30 +1000

To whom it may concern,

I write this letter in response to the public consultation with respect to the proposed changes to CFD regulations by ASIC.

Firstly, I want to give you a bit of background about myself which might help to explain the impact that some of the proposed changes will have on myself and other full-time traders like me. My first introduction to share trading and the financial markets was when I bought my first shares in 2014 (at around 25 years old) after saving some money from my engineering j ob. I bought and sold shares on and off wile fully employed for the next 4 or so years and gained a better understanding of how the intricacies of the market worked. Having saved up enough capital , I left my full-time job in engineering in mid 2018 to begin day trading full time. Around June 2018 I opened a Direct Market Access (DMA) CFD account with FP markets and began trading equities full time. At first, I was extremely cautio us and used only very small sized positions and tight stop's . After a while and once my confidence was built up, I adapted my strategy to become consistently profitable where I remain today .

The leverage that my CFD account provides, allows me to trade large enough positions so I can make a living trading . The proposed l everage limits for equities (of maximum 20:1) for retail traders like myself would be crippling and basically force me out of full-time trading as I would not have access to wholesale margins, or the capital to sustain my current level of trading. As it stands with FP markets, the margin requirements already vary from stock to stock based on volatility, market capitalization and volume. This, in turn, already provides a level of risk management for clients as small cap illiquid stocks have margin requirements of 100% (no leverage). I want to make it clear that given my current level of available capital and as I am not an s708, the proposed l everage l imits would leave me unable to make enough money to sustain myself and my family through trading .

One solution (which they use in other countries) may be for CFD providers to make a distinction between new and experienced traders through a trading history assessment / aptitude test . Under such a scheme, i f a trader is deemed as 'experi en ced' but is not s708 certified, they could still have access to the margin levels available today.

It also appears to me that in the proposed legislation makes no differentiation between Marked Made and Direct Market Access (DMA) CFD's. I can completely understand ASIC clamping down on predatory instruments such as binary options, opaque pricing structures and broker dictated spreads (as the CFD provider benefits from the trader win, lose or draw). However, as with DMA CFD's the broker only makes money on the brokerage of each trade - it's therefore actually in the brokers interest for the traders using their platform to be profitable, maintain a profitable trading strategy and to build their size / manage risk accordingly. It feels as if the proposed legislation is blanketing all CFD's with the same stringent framework when there's significant differences in the makeup of the products .

I would welcome the opportunity to talk directly to you about this over the phone. If it would help in modifying the proposed changes to better suit retail traders like myself, I am more than happy to put you in contact with many other people such myself who are trading full time that this would advers el y impact.
Kind regards and thank you for considering my feedback,

Charlie

[redacted]

Feedback - Consultation Paper CP 322

From: Chris Hannecart [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Mon, 23 Sep 2019 17:04:38 +1000
Attachments: Unnamed Attachment (68 bytes)

To whom it may concern,

I am a full time FOREX retail trader and wishes to express my displeasure about the proposed product intervention.

Financial freedom is one of the most important human rights in a democratic society. Effectively, a democratic society cannot function without it. Yet it seems our government is intent on taking this human right away from its citizens. The proposed product intervention will be another step in removing the right every citizen has to decide freely how to manage their finances. Whether or not a particular financial product or leverage ratio is suitable should not be determined by the government but by individuals.

The fact that foreign regulators have implemented or have implemented similar regulations as your proposed product intervention is, as far as I am concerned, a very poor reason to justify these changes. It is not because others are jumping off the bridge of financial freedom that Australia has to do so.

Although it is true the majority of retail traders who trade FOREX CFDs loose money, it is not, in my view, the responsibility of ASIC to defend these traders against themselves. When retail traders loose money, it is due to good old fashioned greed, not misdeeds by “evil” CFD brokers. Every one of us should be responsible for our own actions. When retail traders lodge complaints against brokers, they are, in a lot of cases, merely trying to blame others for their own failures and, in doing so, shirk their responsibilities.

Your consultation paper states the information provided by brokers regarding the inherent risks of CFD trading and their fees and costs is unclear and confusing. This has not been my experience with Australian brokers. All the brokers I have dealt with have very clear warnings of the risks of high leverage and have very clear costs and fees structures. As far as overnight funding costs are concerned, there are free tools that automatically calculate and report these costs. These tools are readily available to retail clients who bother to look for them. There is also plenty of high quality information available online that aims to educate prospective CFD traders. Anyone claiming they did not have the required information to make an informed decision about the suitability of CFD trading for their circumstances just has not looked very hard. That is especially true for the more than 50% of CFD clients who are mature adults.

I would also like to address claims you make in your paper. In my opinion, some of these claims are not only flawed but misleading.

In paragraph 39, you state that, for a CFD contract with a leverage ratio of 200:1, “the client is effectively in a similar position to borrowing the other 99.5% of the value of the underlying asset of the CFD”. Although this is theoretically correct, this is a flawed and misleading statement as no sane and informed CFD trader would ever use the full leverage available on their account.

Your comparison of Tim and Jenny’s investments is in the same vain. In my opinion, Tim deserves to loose his $25,244 as he has showed a staggering level of greed and stupidity! As for Jenny, you portray her as the smart investor for buying an ETF despite the fact most ETF buyers have done very little research (if any) prior to their purchase. It’s not called passive investing for nothing! Also, since the inception of ETFs, markets have only been going up so there is no historical record of how these product will behave in a downturn. Though none of us can tell the future, it is a reasonable expectation that ETFs will fall hard in the next downturn and that some of these funds will fail entirely causing their investors to loose their complete investment. Smart Jenny might not be so smart after all! I would actually wager that a well informed CFD trader with a 200:1 account would most likely do far better than Jenny.

You also state that slippage and gapping present significant dangers due to high leverage. Once again, although theoretically correct, slippage and gapping are only a problem if the client uses too much of the available leverage.

As far as the CFD issuer determining the bid-ask spread and your inference that prices quoted do not follow closely the underlying market, that is also not always the case. In the FOREX space, there are two types of accounts available. Standard accounts that have a markup added to the bid-ask spread and ECN accounts that use the underlying market's spread and charge a commission. The informed FOREX trader will choose the ECN account. Bid-ask spreads on ECN accounts offered by Australian brokers are extremely competitive and very often better that the bid-ask spreads of ECN accounts offered by international brokers.

I believe the proposed product intervention is a huge overreach by ASIC and will not have the intended effect of protecting retail clients. In my case, it will in fact have the opposite effect. All my FOREX accounts have 500:1 leverage ratios. Despite this very high account leverage ratio, my effective leverage across all my positions is always below 20:1. This means that, under current conditions, my margin levels are so high that I have almost no chance of a margin call. If your proposed product intervention passes however, I will be much closer to a margin call with the same position sizes. As a result, I will only have two possibilities. I will either have to stop trading as the new, safe position sizes will simply be too small to earn a living or I will have to open a FOREX account abroad. In both cases, I will be loosing out. In the first case, I will no longer be able to earn a living trading the FOREX. In the second, I will no longer be protected by (currently very good) Australian regulations and will have increased costs due to the required international money transfers. Also, in both cases, the Australian financial industry will loose out as they will experience a decrease of local clients and the 83% of foreign clients will move their money to another country. Australia doesn't have much left when it comes to competitive industries on the international arena. This will make it worse.

I think that, if ASIC's true intent is to protect retail clients, a focus on improved information and education as to the risks of high leverage is the way to go. If retail CFD clients get themselves properly informed and educated, the odds of margin calls and large financial losses are greatly diminished. You can take a horse to the river but you can't make it drink however. Greed is a human trait and there will always be people who disregard all warnings because of it.

Thank you for your consideration,

Christophe Hannecart

Potential Regulatory Changes to Leveraged Trading

From: Christian Fell [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Thu, 19 Sep 2019 00:12:11 +1000

Dear SIr/Madam,

I have been notified by my forex broker around the potential changes around the significant reduction in leverage that will be available.

I want to voice my option on this topic about the dangers that this will pose to me as a trader should these changed come into effect as proposed.

If leverage is to be reduced to such a level that I would only be able to take 3-4 trades simultaneously, this would no longer allow me to use an ASIC regulated broker and would force me to move my business to a broker in another country where the leverage regulations are not as strict.

This will mean that I would likely end up parking much of my money in another country where the broker would face far less scrutiny.

This would have the complete opposite effect to what the regulations are in fact aiming to achieve.

Better education is the solution, informing traders the risks with their position sizing and risk management.
Not restrictions on leverage which likely lead to capital flight and move the problem elsewhere.

Regards,

Christian Fell

ASIC Consultation Paper 322 – Industry Changes

From: Chris Toubia [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Wed, 18 Sep 2019 14:56:13 +1000

Hi,

I currently work for a proprietary trading firm and run my own CFD trading account as well.

I would encourage that the proposed changes are NOT enforced.

There has been a clear drop in liquidity given current market conditions and increasing margins and imposing restrictions that would create forced sellers would only add to this problem.

Its seems the proposed changes are there to 'protect' the retail investor but i believe this would cause more issues as many people would be forced to liquidate positions that are already under water.

The most likely response from people who are already under water would be to commit more capital rather than sell which again does not help the issue.

All it would take is one tweet from trump to create an adverse overnight move and you would have thousands of people who use CFDs being forced out on top of the people who already have to sell their shares on margin.

Given higher margins there would be even less people in the market and hence higher volatility as well.

I cant stress enough the more this is regulated, the more adverse effects this would have. People need to be more educated on managing their own risk as opposed to being more restricted.

Further affects would be algorithms running the price more easily as there is already lack of liquidity - it is already obvious to see where algorithms run the price to stop people out, you do not want people to be forced out a position from a simple price anomaly because their margin fell below 50% for a brief moment. I could not think of anything worse from a trading/investing perspective.

Please do not enforce these changes.

Regards,

Chris

Sent from Outlook

Objection: 19-220MR ASIC proposes ban on the sale of binary options to retail clients, and restrictions on the sale of CFDs

From: colin chan [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Wed, 18 Sep 2019 12:00:02 +1000

Dear Sir/Madam,

I object to the proposal to restrict the leverage ratio limits of CFDs under the CONSULTATION PAPER 322. This would limit my ability to trade and is unnecessary. I suggest that the current ratio is to be maintained.

Regards,
Colin

proposed leverage changes

From: Conrad [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 12:51:48 +1000

I think the proposed leverage changes will have a **severe negative impact on traders** especially FX traders. **We need at least 100:1 leverage for day trading!**

--
Best Regards,
Conrad Arnts

Feedback

From: Cooper Emms [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 17:55:58 +1000

Wont be able to trade anymore if leverage on indices actualise as proposed. Why does it only affect retail traders? Because we don't have a million dollar trading account?

Regards

Feedback

From: Craig A. Smith [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 25 Sep 2019 02:23:49 +1000

To whom it may concern,
My name is Craig Smith, I've been a retail CFD trader since August 2011. I'm currently 35 years old, single with no dependants. I've always had a desire to trade since a young age and have gained much experience and knowledge through trading derivatives. I've had my fair share of losses especially early in my career, but also some impressive gains as I gained more experience. This activity has given me the motivation to go to University and study economics. I'm currently in my second year studying a Bachelor of Economics at the University of Adelaide.
In my opinion, the restriction on leverage for retail traders is more detrimental to the client. More funds will need to be deposited and held in traders accounts, which is a counter party risk. Most of the trading platforms like IG and Plus500 can refuse to release funds in times of force majeure events. Force majeure refers to a clause that is included in contracts to remove liability for natural and unavoidable catastrophes that interrupt the expected course of events and restrict participants from fulfilling obligations.
Some of the new regulations that are proposed I strongly agree with, while others not so much.
Minimum margin rates
Reducing margin rates on contracts is more of a risk to the client. More capital is required to be deposited with a counter party. The best approach to limit risk for retail clients is to make guaranteed stops on CFD contracts compulsory for all retail clients. Taking away leverage is like taking away the ability to kick the ball in AFL. You wouldn't be able to kick a goal and score 6 points, but only could hand pass it through the goals for a behind.
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 - **(should be 2% with guaranteed stops)**
15:1 leverage on major indices = 6.67% margin **- (should be 3% with guaranteed stop)**
10:1 leverage on commodities (excluding gold) **- 10% margin (should be 5% with guaranteed stops)**
2:1 leverage on cryptocurrency-assets - **50% margin (In my opinion, CFDs on these products should be banned)**
Real-time disclosure of total position size
Not sure how this proposal protects the client, and it's not difficult to use a calculator to find out the total position size.
Risk warnings
I'm all for this, we need to advise people of the risks and complexities involved with CFD's.
Margin close-out
This proposal would create an unnecessary obstacle for the retail client and restrict the client's ability to make the most out of their capital. More capital will need to be deposited with a counter party to compensate for the risk of the 50% close out rule proposed. Algorithms will be able to take advantage of the weaker positions and run the stops of retail traders' positions more frequently.
Real-time disclosure of overnight funding costs
This is a great proposal!
Transparent pricing and execution
This is a great proposal!
Negative balance protection
Another great proposal!
Prohibition on inducements
I totally agree with this proposal.
Trading CFD's is a huge part of my life, but the net worth/ income requirements to classed as a wholesale trader are just too excessive. My dream to one day earn an income in the $250,000's trading these products through the experience I've gained are now in doubt, as well as my dreams of becoming financially independent through trading.
I take advantage of leverage during price spikes or dumps in gold, oil and currencies. I either trade long or short and take profits or losses during relatively small price changes. (like a $2 - $8

price movement in gold) Taking away the leverage will restrict my ability to make good money quickly, while the larger amounts of capital required to trade will leave me more exposed in the market as I would then leave trades open for longer trying to catch a bigger move in the market to make the same amount of money. This will be a recipe for more losses due to longer exposure in the market. If you'd like to speak with me in person, [redacted], or you can reply via email.
Kind regards,
Craig Smith

Feedback

From: Csaba Josa [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 26 Sep 2019 16:11:31 +1000

Hello,
I would like to provide feedback on the proposed changes to leverage on CFDs outline in 19-220MR as well as some feedback on the classification of a wholesale trader.
19-220MR:
-Proposed changes will potentially cause severe losses to clients that have placed trades factoring in existing margin requirements and placed stops at levels they are comfortable with, especially those clients that trade mean reversion and are willing to accept short term unrealised losses. Changing leverage in index products as an example from 200:1 to 15:1 will cause a lot of traders to automatically be stopped out due to the severe increase in margin requirements, even if there is a grace period of 20 days provided. Some traders will not be willing to place more money into accounts because they have already factored in how much they are prepared to lose trading based on the existing system.
-I assume that these changes will inevitably go through. I would like to offer a suggestion of using a stepped model to implement the changes. I.e. for index products from 200:1 to 100:1 to 50:1 to 15:1, or something along those lines to give trades with existing positions time to unwind (similar for other products).

Current Classification of wholesale trader (experienced) has two requirements of which one needs to be met. Either earning a salary of 250k gross over the past two years or has a net assets over 2.5milAUD.
I would like to suggest a 3rd option be made available of those that can prove they have worked in the industry for over 10yrs.

For reference:
https://asic.gov.au/about-asic/news-centre/find-a-media-release/2019-releases/19-220mr-asic-proposes-ban-on-the-sale-of-binary-options-to-retail-clients-and-restrictions-on-the-sale-of-cfds/

Kind regards,
Csaba Josa
[redacted]

Feedback

From: Damian Gibson [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 08:20:49 +1000

Hi,

Just emailing to share my thoughts on the proposed changes by ASIC to CFD trading for retail clients. I have used the CFD instrument since 2005, so am well aware of the pros and cons. While some of the proposals I agree with I think the leverage limits for shares should be looked at.

Especially for those traders who have used CFD's for a number of years. Maybe there could be an exemption of say 20:1 rather than 5:1 leverage limit for those that have more than 2 years experience trading, or those who list share trading as a profession on their tax returns. There are so many traders who use CFD's to make a living or supplement their income. So I think experience should be taken into account when looking at leverage limits.

I also wonder what is going to happen to open positions when these proposed changes come into affect, will we all have to top up our accounts overnight? Or will existing positions be grandfathered?

I just fear with over legislation in so many aspects of life in Australia we are quickly turning into a nanny state.

Hoping ASIC can work with CFD providers to find some sort of middle ground.

Thank you, Damian

Feedback

From: Damian Miller [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 27 Sep 2019 09:15:22 +1000

Hi there,

I am a retail trader with a small account balance who trades full time from home. My balance is well below the minimum wholesale/sophisticated investor requirements of 250k * 2 years or the 2.5 million in assets but I have been working in financial markets for nearly two decades and consider myself to be a sophisticated investor, without meeting the requirements listed above. The proposed changes will have a negative impact on my business operations and will make it much harder for me to continue to make a living doing what I am most passionate about - day trading and swing trading the ASX and Chi-X sharemarket place.

Will there be any other exceptions to the sophisticated investor requirement? I would like to continue operating as I have been doing for the last 10 or so years, since CFD's entered the market place.

Please consider the retail traders/investors who are operating from a place of profit and would like to continue to operate this way moving forward without being adversely impacted by the new rules that ASIC intends to implement.

How do the proposed ASIC changes affect IG products?

Minimum margin rates

The following leverage restrictions (i.e. margin requirement increases) have been proposed for retail traders, resulting in increased ma 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**

Asset	$ Margin Pre-Consultation Paper*	$ Margin Post-Consultation Paper*
1 contract AUD/USD	A$500	A$5,000
1 contract Australia 200 cash (A$25)	A$810	A$10,805
1 contract oil - US crude ($10)	A$1,240	A$8,267
1 contract bitcoin ($1)	A$1,425	A$7,125
500 shares of BHP Group Limited	A$890	A$3,560

*Approximate figure based on prices at 29/08/2019

How are professional margins affected?How are professional margins affected?

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 50% of the total initial margin required for all of their open CFD positions on that account, we must close CFD positions.

The proposed figures above will severely hamper my ability to trade, manage risk and continue to be profitable.

I believe that I would be not only speaking for myself but for a large number of traders who fit my current financial profile.

Please consider the above.

Regards,
Damian

Proposed Leverage On CFD's

From: Damon J [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Wed, 11 Sep 2019 19:23:44 +1000

Hi ASIC

Just to keep this email brief

I truly do not support your suggestions towards the reduced leverage and larger margin requirement per trade

As I do understand your intention to reduce the risk to customers/traders I don't believe this is close to the solution

People trade at their own risk however this proposal exposes people on a much larger scale given that they have to hold more funds/capital in the broker

This is not safe and situations where the broker going bankrupt is potentially detrimental to an aspiring trader or fund manager?

200:1 is a great number, 100:1 if absolute.

20:1 is not ideal and im sure you are finding plenty of people agreeing with this.

Trading properly involves multiple positions with the appropriate risk management.
The means more capital but does NOT mean more losses

Please do not do this, for my personal experience this will change a lot about my way of life that I currently have involving my family

Best regards,
Damon Wilkes

Feedback

From: danielgille75 [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Sun, 01 Sep 2019 04:38:50 +1000

Hey i really hope you do not put your effort into destroying an economic tool for us with a little less financial strength. This is the only chance to be able to participate in the stock exchange with a decent amount. My question is why don't you let people decide for themselves if they want to lose their money or win a coin. Engage yourself in something else, as this hot chase is idiotic. This is only a facade seen from the outside in order to appear as an advocate and protector against people who, from the beginning cannot manage their finances. Your future decision will only mean that people may risk even more money to be able to cover up the margin or maybe open up and incur even more debt. Sincerely, Daniel Gille.

Feedback

From: Daniel [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 30 Aug 2019 12:40:56 +1000

Hi ASIC,

WRT the recent proposal for limiting the CFD trades for retail customers...as a retail trader, I have some feedback would like to provide.

Firstly, I am fully supporting this proposal which I believe should significantly regulate the conduct of CFD industry across Australia.

Secondly, I would recommend roll-out the scheme in a slightly gentle way rather than kill all with a single cut. I am talking about specifically about the leverage of CFD trading...take FX trading for example, to drop the leverage from 100-400 to 20 could cause dramatic disasters for some of the retail day traders. Not all retail customers are naive, there are significant number of them are professionals and their needs should be considered properly rather than making an assumption of all retail traders are dumb. I believe a default leverage up to 50 would make much more sense for both retail customers and brokers, and for professional traders or wholesale customers they should be able to choose as they require.

Thirdly, transparent overnight fees and total lots are really good ones should help traders to better understanding their position risk, but it might not be enough. From my FX trading experience with a few local brokers, I found enlarged spread and poor price quoting accuracy are factors that put quant traders in a terrible situation, and it is not easy to detect and record the evidence...as it might happen within flash of a second of time and then everything looks as normal. Another scenario I experienced and not many traders are aware of is even when you hedge your positions with long and short orders for the same product...the equity may still keep decreasing day by day on top of the swap and commission fees. This might be related to the exchange rates of the deposit currency and the currency pair being traded...but it seems always hostile to the traders. I tried to find out by asking the brokers but there are no reply or only dummy reply that totally make no sense.

Fourthly, today's global financial market is full of black-swan events, many CFD products such as FX has no trading volume (market liquidity) available to retail customers...but this is extremely important. If retail customer could see when the market liquidity is very low, they would be able to avoid of entering any trades in the market. Low market liquidity normally would sweep away any customer's orders as the CFD markets are stop-loss driven for retail customers.

In conclusions, I believe the new proposal will make the CFD industry better for long-term even though it may cause a lot of pains to the industry and even for customers...if this pain could be strategically limited to the minimum would be great. Derivatives such as CFDs have their value in reducing overall investment risks if they are used properly. Efforts are required from all related parties for helping them grow in the right direction, on the contrary, trying to ban all retail CFDs activities would not work and would only create more problems beyond the regulator's control. In the end, I do appreciate all your efforts for protecting retail customers and all the best to the new proposed arrangement.

Regards,
Daniel Liu

Unhappy with proposed changes

From: Daniel seguna [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 21:52:45 +1000

This really does make it difficult to make a decent profit with little capital , I don't like the changes proposed I think the way the market works now is fantastic.
The margin call at 50% is pretty much just a joke right? 20x leverage is also quote poor I'd love to see things left how they are and maybe just try to teach new people risk management.
This should not be a game just for the rich.

RE: Comments on Consultation Paper CP 322

As a client who has enjoyed trading FX via ASIC regulated entities for the past 8 years, there are 3 main systemic risk which often plagues me.

1) poor judgement call / wrong analysis ending in me taking a loss / having to hedge a position
2) safety of my funds / price / connectivity manipulations by brokerages

I will attemp to address each point in as concise a manner as possible.

Poor judgement call / wrong analysis ending in me taking a loss / having to hedge a position.

I do believe that overleveraging is a key issue which needs addressing. However, it should not be done at a regulator's level but at a client's self actualization level.

Like all financial markets, everyone starts out with high expectations of themselves, looking for the holy grail to financial riches. Focusing on gains, whilst negating risk management. It is only with time that one learns the importance of it.

The root cause here is not leverage, but marketing hype and promises of riches by introducing agents(IBs) willing to say anything to get a mom & pop investors to put in funds so as to earn comissions.

It was stated in CP 322, C(86).

"Unlike binary options, we consider that CFDs can serve legitimate trading, investment and risk management purposes where appropriate protections are in place for retail clients. For example, a client who holds shares in a listed company may mitigate the risk of their investment in the shares decreasing in value by entering a short CFD position over those shares (i.e. the shares are the underlying asset for that CFD). "

The same analogy holds true within the FX and CFD market. If I have a open position on a particular Index CFD, I can mitigate the risk by opening a FX position to hedge market risk.

Having access to higher leverage allowes me to do that. Whilst still allowing me to have sufficient equity margin and proper risk management to explore other instruments, diversifying my risk and allowing me to draw down my hedged position.

I am thus proposing a leverage cap of 100 and a margin stop out of 100 instead. Such a arrangement will be ideal for the following reasons.

- access higher leverage for those that are already employing their own form of risk management.
- For those that are overleveraged, they do not have much wiggle room before getting stopped out

Fig 1:

Order	Time	Type	Size	Symbol	Price
131455357	2019.08.23 10:15:24	buy	1.25	gbpusd	1.22110
Balance: 10 000.00 AUD Equity: 9 972.75 Margin: 2 258.85 Free margin: 7 713.90 Margin level: 441.50%					

Fig 1 shows an account with $10,000 AUD equity with leverage of 100, having a open position of 1.25 lots (125,000 contract size) , utilizing only 12.5% of leverage given.

Note the Margin level: 441.50% and that Margin Stop out is at 100%. The trader has wiggle room to hedge his position / diversify his holdings.

Fig 2:

Order	Time	Type	Size
131455556	2019.08.23 10:16:30	sell	5.00
Balance: 9 980.15 AUD Equity: 9 915.56 Margin: 9 032.55 Free margin: 883.01 Margin level: 109.78%			

Fig 2 shows an account with $9980.15 AUD equity with leverage 100, having a open position of 5 lots (500,000 contract size) , utilizing 50.1% of leverage given

Note the Margin level: 109.78% and that Margin Stop out is at 100% Thr trader has no wiggle room to hedge his position / diversify his holdings nor allow sufficient room for pullbacks. All indication that he is serverely overleveraged and has to rethink his position size.

A 100 leverage , 100 stop out will highly reduce the losses of the trader as given in fig 2, he has only aprox 9 points before effectively being closed out.

It also highly reducues the risk that retail clients will be in negative balance.

I thus strongly believe and urge your consideration that such a system will be ideal, satisfying and protecting both savy and reckless clients.

<u>Safety of my funds / price / connectivity manipulations by brokerages</u>

The average leverage given by brokerages across australia is 100, decreasing it to 20 will effectively be decreasing their profits by 80%. Let alone the losses stemming from the disembarkation of clients leaving, seeking greater leverage elsewhere.

Given that the nature of any business is to increase their y/y profits. I am highly concern that such a drastic decrease in leverage will open the possibility to brokers manipulations so as to bring up their profits.

It was stated in CP 322, C(70).
"During the calendar year 2018, issuers of binary options and CFDs received gross trading revenue of $2 billion (2019 review) of which $490 million was from binary options and $1.5 billion from CFDs. These figures can largely be attributed to a combination of net client trading losses and spreads, fees and commissions charged to clients. On this basis, we estimate that retail client losses from trading binary options were at least $490 million in 2018."

Many if not most of the brokerages pride themselves on having solid tier 1 counterparties and having connectivity to Equinex interbank datacenters located in NY4 / LD3

This has been extremely appealing to retail clients and myself, knowing that behind most trades, is a solid counterparty.

However, decreasing leverage being offered, will lead to lower volumes the brokerages will execute on the interbank venues and with liquidity providers. Simply because perhaps the order is of too low a quantity to be accepted by a legitimate counterparty or that it would be more profittable to book the trade in house.

What's stopping them then from retaining earnings from previous fiscal years. And being the direct counterparty to clients in order to bring up Revenue loss from the decrease in leverage.

It wasn't too long ago that ASIC cancelled the AFSL of a brokerage that was caught using a Virtual Dealer Plugins (15-026MR).

It would be of utmost importance that ASIC adopts a Mifid 2 standards RTS 27 and 28 style policy, requiring these firms to disclose counterparties,execution venues,quality of execution and all the important details on a client request basis. So that clients can make their own informed decisions on the quality of that particular brokerage and if all that was claimed about having connectivity is true or marketing gimmick. From a retail client's point of view. I would accept the outcome knowing that I was on the wrong side of a trade, losing it to a counterparty that a brokerage that deceived me that my orders were being routed.

I have attached a copy of a market generated trade statement for your purview.

Fig 3:

Order Detail - 2015/07/03 06:20:33 GMT

Order Detail

Order ID	**1220293965**		
Submitted	**2015/07/02 15:57:03 478 GMT**		
Last Event	**2015/07/02 15:57:03 509 GMT**		
Expiry Time	**2015/07/02 15:57:04 978 GMT**		
Status	**Completed**		
Customer	**LUMI/LUMI**		
User	**LUMIQuoter**		
CCY Pair	**EUR/USD**		
Buy/Sell	**Sell**		
Order Amount	**EUR 1,000.00**		
Matched Amount	**EUR 1,000.00**		
USD Amount	**1,135.25**		
Order Rate	**1.12253**		
Average Rate	**1.12255**		
Order Type	**LIMIT**		
Market Range	**0.10000**		
Time In Force	**GTD**		
Visibility	**HIDDEN**		
External Order Id	**FXI2260148078**		
Number of Trades	**Verified: 1**	**Rejected: 0**	
Customer Fill Type	**Same as Cover**		
Cover Execution Method	**LimitRangeIOC**		
Stream	**LUMIRetail**		
Server Managed	**Y**		
Channel	**BA/ESP**		
FIX Session	**N/A**		
Persistent	**N**		
Price Display	**N/A**		
Execution Strategy	**None**		
Fixing Date	**N/A**		
Preferred Providers	**None**		
Custom Spot Spread	--		
Portfolio ID	**N/A**		
Execution Instruction	**N/A**		
Execution Type	**N/A**		
Min Fill Qty	**0.00**		
Show Amt	**0.00**		
Covered Cpty	**800004**	Covered Cpty User	**MT4user**

Order Events

ID	Event	Sweep	Timestamp	Rate	Amount	M/T	Provider
	Order Submitted		2015/07/02 15:57:03 478 GMT	1.12253	EUR 1,000.00		
FXI2259951419	Order Matching	1	2015/07/02 15:57:03 481 GMT	1.12255	EUR 1,000.00	Taker	RBS
FXI2259951419	Verified	1	2015/07/02 15:57:03 505 GMT	1.12255	EUR 1,000.00	Taker	RBS
	Completed		2015/07/02 15:57:03 509 GMT	1.12255	EUR 1,000.00		

With that said, I hope that you may consider/find useful my suggestions from a retail trader's point of view.

Regards

Dan Ltc

Daytrader

From: DARNELLE PRETORIUS [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 11:41:02 +1000

Hi

It
is a sad day if Asic is moving in this direction. We will have to find ways to move our accounts legally so that we can continue as things were. Please think carefully before you do make any changes.

Regards

Henning Pretorius

Feedback

From: Darren [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 19:51:47 +1000

I trade – have done so for a number of years. Guess what – I didn't lose the shirt off my back and I DON'T need more big brother regulation designed to protect me from myself.
If you are serious about reform them try educating people instead of cutting off any reasonable avenues to use our money how we want. It is NOT your money and I for one DO NOT appreciate being told yet again I need to bend over and be shafted because some morons can't control themselves or have no business trading. Address that issue and leave the rest of us to look out for ourselves.
If it comes to it I'll set up as a wholesale investor and/or set up overseas. As simple as that.
Regards
Darren.

Feedback

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 29 Aug 2019 20:56:07 +1000

Leave CFDs alone [redacted]
Get Outlook for Android

leverage change sucks BIG TIME ....!!!!

From: Darren [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sat, 26 Oct 2019 23:00:15 +1100

Hi Asic,

Way to go ..... to kill the retail Fx market in Australia

why are you going to screw over the little guy

you are not doing this for our benefit .... I wonder what the real reason is?

I do not agree with it at all

if I want to trade a 1000 to 1 that is my choice not yours ....

what the government is turning into a dictatorship/communist now ....

Best Regards
Darren Krollig
[redacted]

Feedback

From: Darryl Broderick [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Sat, 31 Aug 2019 11:11:20 +1000

Dear ASIC,

In respect to your proposed changes to CFD trading i hope you will consider my feedback carefully.
I am 55 years old and have been studying and trading in the markets all my adult life. Your changes could impact my current and future plans considerably.
Although i understand your concerns regarding risk , there has to be a solution to accomodate people in my position.
Personally , i only use CFD,s to trade ASX 300 stocks and up , usually with a margin of 25%. I dont trade commodities, indices, FX , or any other tools with 500:1 risk as quoted in some media articles.
My risk management with 25% margin on top ASX stocks is much better than trading penny stocks with no margin which all and any individual is free to do with any online broker.
Before making any radical decisions on CFD trading i would ask you to consider all options to accomodate individuals such as myself.
Regards
Darryl Broderick

Feedback

From: David Dearnley [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 17:35:37 +1000

Dear Asic

Though I appreciate your intervention to regulate the markets. I currently object to your proposal regarding leverage.

I have been trading for 3 years now and am mildly profitable and I expect my profitability will improve. i have remained profitable for 1 year.
Your proposals directly impair my ability to trade and to utilise the strategies I have been using, to be profitable.

My objection is to leverage.
I currently require a margin of 200:1 when making trades as my strategy requires uses an EA to do this. My ea will not function with lower leverage.
I was trained to risk only small amounts of capital. 1% per trade to be exact.
Leverage does not affect trade sizing in the forex market. It only really affects the use of robots.
Please do not limit leverage.

I am very happy with the proposal of:
-stop out at 50% draw down.
-Negative balance protection.

I have a suggestion.
Perhaps you should force all traders in Australia to complete a course on risk management and how to use appropriate leverage.
This would empower Australian's, allowing them to make an informed choice and would reduce the number of people seeking to bypass your proposed rules.

Regards
David

DAVID GELMAN
[redacted]

30 September 2019

Dear ASIC

I write to you in response to:
19-220MR ASIC proposes ban on the sale of binary options to retail clients, and restrictions on the sale of CFDs CP 322 Product intervention: OTC binary options and CFDs

I understand your objective is to reduce the future detriment to retail clients from OTC binary options and CFDs. I respond to support this objective because I too believe that retail traders should have a positive outcome when using such financial products.

I support Commissioner Armour's statement: "A complete ban would prevent retail clients from losing money trading binary options. We believe binary options provide no meaningful investment or economic use, and have product characteristics similar to gambling products."

I also support the proposed action on banning binary options because:
> they do not offer participation in the growth in value of the underlying asset
> their 'all-or-nothing' payoff structure makes them unsuitable for risk management arrangements (e.g. hedging).

I am a retail trader using CFDs for income and stock hedging purposes. I believe it's critical to differentiate between traders and investors.

19-220MR states: *ASIC is concerned that retail investors have suffered, and are likely in future to suffer, significant detriment from binary options and CFDs.*

As defined by Comsec:

> *People often use the words "investing" and "trading" to mean the same thing, and it's true that they both refer to making money on the stock market. But when you get down to the nitty gritty, you'll find that investing and trading are two distinct disciplines.*
>
> *In a nutshell, an investor is someone who buys shares in a company with the goal to grow their investment over time. A trader, on the other hand, is someone who buys and sells shares quickly to try and profit from small price changes.* [1]

Investor	***Trader***
Long-term investment horizon	*Short-term investment horizon*

1 https://www.commsec.com.au/education/market-insights/mi-2018/apr/trading-vs-investing-which-one-is-for-you.html

Buy and sell rarely	*Buy and sell frequently*
Time poor	*Time to actively manage portfolio*
Risk averse	*Comfortable with risk*

Source: comsec

In REP 626 Consumer harm from OTC binary options and CFDs August 2019 statistics of CFD "investors" are provided and an example.

Features of CFDs are causing significant detriment:
› high leverage ratios amplify losses and costs
› losses can exceed initial investment.

Unclear or confusing presentation of information about risks, pricing and costs are leading to the sale of CFDs that are misaligned with clients' expectations.

Example 2: CFDs
Tim thinks the ASX 200 will rise. He invests $10,000 in a CFD with leverage of 200:1, which gives him a $2 million bet on the ASX 200 index.

› Transaction costs are amplified by leverage: Tim pays a $10 commission to open the position and a spread of 0.05% which equates to $1,000 for the position size. The CFD issuer charges a 5% p.a. overnight funding cost which equates to $274. There was no dividend adjustment to Tim's CFD position.

› Sensitivity to market volatility: As a result of a global event, the ASX 200 index unexpectedly drops by 1%.

Tim incurs a $20,000 loss on his $2 million position size. Tim has lost more than twice his initial deposit and now owes $11,284 to the issuer.[2]

[2] https://download.asic.gov.au/media/5241548/rep626-published-22-august-2019.pdf

First I bring your attention to the use of the term “invest”, CFDs should not be considered an investment they should be treated as a trading or hedging product. If ASIC would like to achieve its objective then CFD providers should make this clear in their communication material.

The example provided above in my opinion is extreme: “He invests $10,000 in a CFD with leverage of 200:1, which gives him a $2 million bet on the ASX 200 index.”

If Tim is trading at such a large size he clearly doesn’t know what he is doing and this doesn’t relate to the complexity of instruments. What Tim actually needs is more education and to trade in smaller sizes. Also is Tim investing or *betting*?

I understand an illustrative example need to be provided but I think brokers like IG provide much better examples.
https://www.ig.com/au/cfd-trading/how-to-trade-cfds-with-ig

One measure to address this ASIC proposes to increase the deposit margin amount/reduce the leverage provided to protect retail clients from trading with such large size contracts and notional values as per table.

	Minimum professional margin	Leverage equivalent	Proposed ASIC retail margin	Proposed ASIC leverage equivalent
Currency pairs and gold	0.40%	250:1	5%	20:1
Major indices	0.40%	250:1	6.67%	15:1
Commodities (excluding gold)	1.20%	83.33:1	10%	10:1
Cryptocurrencies	8%	12.5:1	50%	2:1
Shares	4%	25:1	20%	5:1

> https://www.ig.com/au/pro

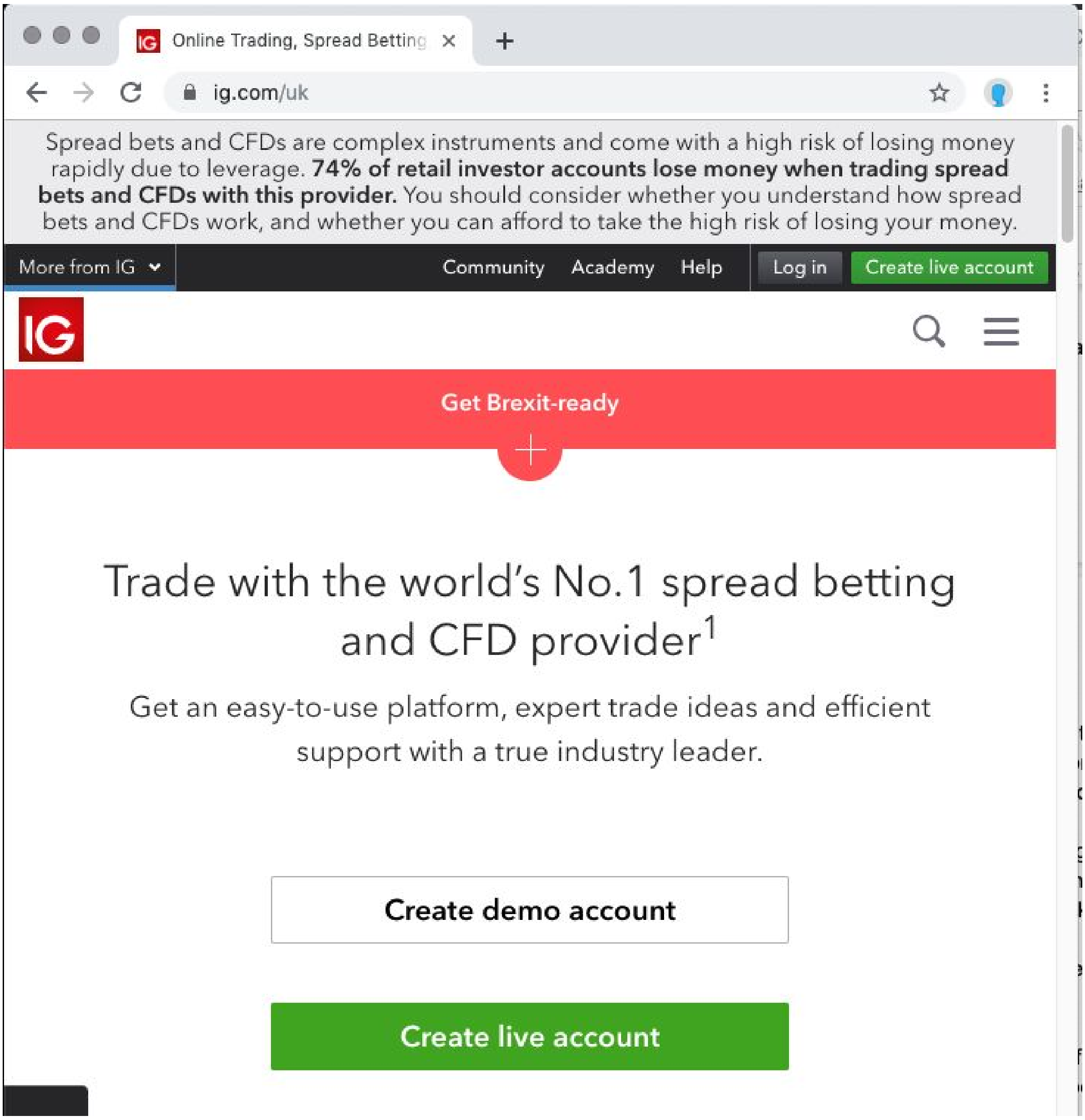
It’s understandable that by taking this measure retail clients will have to deposit more capital but will this achieve ASIC’s desired objectives of protecting retail clients?
I refer to the static that 72% of clients who trade CFDs lose money and as per the report these figures come from data which was collected from ASIC’s 2017 review of the retail OTC derivatives sector.

> *These figures are broadly consistent with data reported by European regulators before the introduction of product intervention measures by the European Securities and Markets Authority (ESMA).*

ESMA introduced similar proposed changes in 2018-2019 and have these changes improved retail client outcomes by reducing the losses incurred by retail clients?

I’m not aware of any report from ESMA to evaluate the efficacy but evidence from checking websites like IG.co.uk that they are still reporting 74% of retail investors are losing money.

> *Spread bets and CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. 74% of retail investor accounts lose money when trading spread bets and CFDs with this provider. You should consider whether you understand how spread bets and CFDs work, and whether you can afford to take the high risk of losing your money.*



So the question I ask is: will this improve retail client outcomes by reducing their losses? I highly doubt it.

Here's another example

As an example FOREX: AUDUSD

1:200 trade size 10,000 UNITS Required Margin AUD 50.00
BUY at 1.00 stop loss at 0.99 P/L: AUD$ -148.05

1:50 trade size 10,000 UNITS Required Margin AUD 200.00

BUY at 1.00 stop loss at 0.99 P/L: AUD$ -148.05

So the profit/loss is the same just the amount of deposit margin required is different.
https://www.icmarkets.com/.../help.../forex-calculators

I believe a better approach is to limit the notional amount retail clients can trade until they have a track record of being able to manage their trading positions.

As argued earlier the example provided by ASIC is too extreme but maybe there have been such cases. Instead the retail client should have had a trade limit of $100 thus a notional limit of let’s say a $20,000. Leverage of 200:1 would be no issue in this case and the client could only trade a maximum notional size of $20,000. As the client progresses with their account profitability then they can upgrade or be accredited to trade larger sizes.

With ASICs proposed approach I believe clients will just add more capital to still trade sizes much too large and will still lose. Furthermore with the proposed changes many retail clients like myself will be forced to move to Professional Accounts and lose retail client protections that we currently have. I therefore propose that ASIC set trade limit sizes instead of leverage limits this would also mean that we are trying a different approach to this issue and it might have a more positive result. Finally, I believe this would professionalise the industry in Australia and possible provide leadership globally.

Kind Regards
David Gelman

consultation

From: David Jones [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 23:58:45 +1000

Hi ASIC,

I am a forex trader and I have accounts in ASIC brokers.I have lost money in brokers because they go bankrupt or go into administration not getting my funds back!
So if Leverage will be restricted to 20:1 i will have to add more funds to trade the same level i like to do. I have the funds but why put more money at risk at a broker??
best regards
DJ

Feedback

From: David Oswald [redacted]

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

Cc: responsetoasic@pepperstone.com

Date: Fri, 13 Sep 2019 06:43:14 +1000

I have put hundreds of thousands of dollars into cfds learning how to make money from trading at 500:1 leverage and now as I am getting better and better your saying your going to cut my opportunity down to 20:1? Not happy with that idea at all..

Get Outlook for iOS

Feedback

From: David Pollard [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Mon, 23 Sep 2019 12:41:12 +1000

Good afternoon,
I am a retail trader, trading daily and weekly with forex instruments, and I wish to provide feedback on the current ASIC proposal to impose restrictions on Australian regulated brokers. This is not a detailed submission, as I have provided my feedback to my broker (Pepperstone, CCed) and believe their advocacy is at least in line with my desires.

Leverage
I currently have access to 500:1 leverage. I have never and would never exercise the full amount of leverage available to me, and would not mind personally if this was reduced. I believe 20:1 is far too low though, and would settle for 250:1, or thereabouts. Without this, smaller retail traders are placed at a significant disadvantage over institutional or wholesale traders.

Compulsory margin close-outs
As a retail trader, I should be in complete control of opening and closing positions, as long as I have funds available to maintain them at my chosen leverage. I should not have a position closed because it is moving against me, unless this would cause my account to approach a negative balance. I have never and would hope to never be impacted by the proposal in this area, however it should be my choice to trade that way if I so desire. I do support margin close-outs, however only in the case of an account approaching a negative balance.

Negative balance protection
Further to the above, I believe a broker cannot offer negative balance protection without taking the opposite position to a retail trader's position, and this puts them in direct conflict with the retail trader. I do not support this practice if it means I am not trading with other retail market participants directly. I also believe that retail traders assume the risk of negative balances, and enter in to this risk freely. I support additional warnings of this, however I feel it is already very clear.

Real-time disclosure of total position size, overnight funding costs
I support the ASIC proposal

Prohibition on inducements
I support the ASIC proposal

Risk warnings
I support the ASIC proposal

Transparent pricing and execution
I support the ASIC proposal

Regards,
David Pollard
[redacted]

Product intervention: OTC binary options and CFDs

From: David Van Der Klauw [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Wed, 18 Sep 2019 20:16:56 +1000

I am writing to make a few very brief comments on your proposed product intervention

Binary Options
==============
As they stand, Binary Options are indeed a worthless product for the retail investor. Eg betting $100 and standing to gain $180 if the item goes up.
What a bad deal.
I would agree with banning these products. However if retail customers were also allowed to sell the options, that would be another matter.
For example, I might offer to sell someone a $100 option that pays $181, then Fred might beat my offer, and pay $182, etc. The potential payouts might rise to $199 or so which is getting near fair value. If all people were able to buy AND sell the options, then the options might become priced fairly and might indeed serve some purpose.

Negative Balance Protection
==========================
Yes, yes, yes.
I cannot understand why this is not done worldwide.
Basically when it comes to trading most of us want securities to move smoothly and with liquidity. A stop-loss order can then limit our losses.
Also the broker can close a position to prevent a negative balance.
What spoils this is a gap movement. As a trader I am prepared to sacrifice extreme gains from a gap, as a trade-off for not suffering extreme losses from a gap.
For example a while back their was a huge gap when the Swiss cancelled their peg. If I had a trade on the wrong side of that, I would have been in negative balance. And if I'd been on the right side, I would have a windfall gain. I am prepared to give-up windfall gains if I am protected from the negative balance.
In my opinion the rules should be setup to ensure this happens.

I hope you find my comments useful.

Regards,
David
[redacted]

Feedback

From: Dayana Andrenacci [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Thu, 12 Sep 2019 02:32:15 +1000

As a consumer, those changes will prompt me to change or seek other brokers that will offer a better leverage, the changes are too far from been able to make any specially when small accounts are trying to grow... disappointing to say the least
Regards,
Dayana

Changes

From: Dean Monk [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 22:39:26 +1000

Whilst I can understand the implications of the proposed changes I perceive that only the larger accounts will gain any benefit. Smaller ac
price action is favourable, especially with a volatile market, as it is at present. Being able to leverage up to 400:1 is the only way a small
accounts should already be protective of their capital and aware of risk to reward ratios employing stops and limits in their trading. It is cl
Please consider these points when making your decision. Kind regards, Dean Monk

Dramatically reducing Leverage

From:	Dean Musa [redacted]
To:	Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date:	Thu, 26 Sep 2019 14:03:09 +1000
Attachments:	OTC Intermediary Compliance ASIC.pdf (63.6 kB)

To Whom this may concern

I have written my beliefs/views on your proposal If you have any questions please call me on [redacted]
Regards DM

Please find attached letter

Feedback

From: Deirdre Thompson [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Mon, 02 Sep 2019 12:01:38 +1000

Hello,

I am responding to the proposed changes made to CFD Trading.

As a retail client, these changes will completely destroy any future for myself and many others in trading. In particular the margin requirements. Currently the margin requirements are 0.5% for trading major indices and currencies. An increase to 6.63% margin would be devastating. This would mean I would need 13 times more money to trade, which is simply unviable.

I am a mother of three and have devoted the past 7 years to learning how to trade. 7 years I could have spent getting a degree in law, but I chose to follow my passion of trading. If these changes go ahead - that would all have been for nothing. And I am sure there are many thousands of others in my situation that will be deeply affected by this too.

Therefore, I strongly oppose these changes to CFD trading.

Kind regards,
Deirdre Thompson

OTC Intermediary Compliance Submission

From: D K [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 22:33:19 +1000

Hi,

I am an active successful trader based in Australia. I use leverage. I also teach wannabe traders with a focus on risk management.

I wish to submit that there is NOTHING wrong with leverage and I request that leverage be left as is, or at best, increased.

In a global world there will always be offshore opportunities if there is a 'restraint of trade' in Australia.

It is NOT leverage that gets people into trouble. It is a lack of education.

Cheers,
Dennis

Feedback

From: Derek Berry [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sat, 28 Sep 2019 21:24:11 +1000
Attachments: Unnamed Attachment (68 bytes)

I am a retail trader of CFD products (predominantly FX) with over seven years experience. I traded small the first four or so years and was reasonably successful for three years until the flash crash in January 2019 when I lost a large amount and have since approached my trading in a more conservative manner.

I welcome a reduction in leverage as I believe it will help protect retail clients and think the proposed ratios are good benchmarks for beginners. I am aware of wholesale products being offered that would fall outside those restrictions. I would welcome a third product offering that offers some middle ground for experienced traders who do not meet the eligibility for wholesale or who do not wish to lose all of the protections being proposed.

I have some concerns about the proposed level of margin close outs, feeling that funds at 50% of total initial margin is too soon, especially when margin requirements are already going to significantly jump. Perhaps a lower figure of 20-30% of total initial margin would be better for margin close outs.

I welcome the other proposed changes.

I would like one additional change - better education around some of the large and fast movements in the market and the reasons behind them with specific examples referencing events like GFC, Swiss Franc (Jan 2015) removal of currency peg, Brexit referendum movements and flash crashes like January 2019. There is adequate disclosure of the risks of CFDs but when product offerings cover many asset classes such as FX, indexes, shares, commodities and cryptocurrencies what was not clear to me until relatively recently was that liquidity can be an issue in all of them despite statements from CFD providers about the size of the FX market being 5 trillion a day. It is through learning the impact of lack of liquidity through the events and outcomes of 3 January 2019 that I have set much more conservative caps on my position sizing (ie the same effect as proposed leverage changes.)

Thank you for considering my feedback and I am happy to be contacted via return email if you have any questions on my comments.

kind regards, Derek Berry

Feedback

From: Dimzi [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 03:25:36 +1000

I agree that Binary Options needs to go, but at the same time I think that restrictions on CFD trading needs to be reconsidered.

I am not sure how any restriction on CFD margin is meant to help/stop retail clients engaged in CFD trading from losing money. It might slow the rate at which they lose money, but the end result will still be the same - detonation of their account.

People who currently do not know how to manage risk, will continue to lose money even after introduction of the latest ASIC regulation. 72% of CFD retail clients in Australia today lose money not because of high margin rates. Any restrictions on margin rates will not make losers winners. If you do not believe me, check any CFD provider in EU. ESMA restrictions on CFD trading have been in place for one calendar year, but CFD providers in UK for example still report that on average 74% of their retail clients continue to lose money. ESMA regulations related to CFD margins changed nothing for losers.

Retail clients lose money due to lack of financial literacy and not understanding trading risk at a basic level.

Trading is high performance en-devour. It would make more sense to introduce some sort of basic trading course/test instead, to ensure that market participants have basic understanding of risk before they engage in any trading related activity. That would have a positive impact for everyone - CFD brokers who would deal with the responsible retail clients / educated CFD retail clients will have better chance to succeed in the markets due to basic financial literacy / society as a whole would benefit from the additional stream of revenue from taxes.

Paradoxically mandatory changes to CFD margin lending will negatively affect those who know what they are doing and are just staring out and do not have millions to qualify as professional CFD clients.

At the same time people who have a gambler's mentality will find their fix elsewhere, and continue to lose money. Just like Chinese nationals when they temporary switching to Australian Binary options providers after they got banned everywhere else. Or alternatively they can switch to crypto. Or just go to a nearest casino, where they can put their lifetime savings on one bet with no restrictions whatsoever.

Feedback

From: Dragon Boqa [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 09:28:41 +1000

I like to see the proposal,and i like to it no p.a under by me just now.then i want all anything was dicide from me.thanks

Truly by
Mr Ismail bin mohd
[redacted]

FW: Proposed Changes to CFD Products - OTC Intermediary Compliance Market Supervision [SEC=UNCLASSIFIED]

From: OTCD <otcd@asic.gov.au>
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 09:15:43 +1000

From: Duncan Owen [redacted]
Sent: Friday, 27 September 2019 2:05 PM
To: OTCD <otcd@asic.gov.au>
Subject: Fwd: Proposed Changes to CFD Products - OTC Intermediary Compliance Market Supervision
Email rejected from the Market.Supervision.OTC@asic.com.au email address. Please forward to appropriate party as necessary.
---------- Forwarded message ---------
From: **Duncan Owen** <duncan.owen@gmail.com>
Date: Thu, 26 Sep 2019 at 12:19
Subject: Proposed Changes to CFD Products - OTC Intermediary Compliance Market Supervision
To: <Market.Supervision.OTC@asic.com.au>

My feedback refers to the proposed amendments to CFD products. I am a retail investor who invests using shares and CFD's and I have no commercial relationship or conflict of interest relating to this subject.
Personal Usecase for CFD's
My investment capital is returned to my mortgage offset account when not invested in equities (Aus and global stocks). Using a CFD provider gives me a cheaper interest rate to invest, than withdrawing funds from my offset account.
As you are aware up to 80% of the value of the home can be leveraged and I require that flexibility to invest in other asset classes.

My feedback relates to the following proposals:
'Leverage and Margin Restrictions'
Effect of Changes - My costs to invest as a retail investor will increase, as I will be forced to use more capital from my mortgage account to invest.
Personal Solution - I will actively seek to use an offshore based CFD provider or trading platform which allows me greater leverage than allowed by Australian CFD providers. An alternative is highly leveraged ETF's available for trading on foreign exchanges.
'Negative Balance Protection'
Effect of Changes: In order to utilise margin effectively, in certain points of time I may be net negative in equity depending on a significant movement in the price of a single equity. As I maintain several brokerage and trading accounts, the effect of a loss can appear worse in my CFD account (resulting in a negative balance), but is not representative of significant loss in my portfolio (which is diversified across brokerages).

Personal Solution - I will have to mitigate the risk of having profitable positions closed, to prevent a negative balance. This will mean using offshore CFD products.

Actual effect of changes above to retail investors

With respect to the changes limiting the ability of retail investors to utilise CFD products as they are currently offered, ASIC is simply pushing individuals to setup accounts with riskier offshore providers or leverage products (like ETF's that are available to trade on foreign exchanges).

ASIC needs to consider that in a global digital economy, traditional regulation of products is not effective and results in consumers being pushed into riskier, unregulated products outside of Australian borders.

The same CFD account being used today in Australia, could be marketed by an offshore company and setup in the same amount of time as those regulated by ASIC. This is not an effective solution.

Proposed Solution

I acknowledge that a high degree of CFD customers lose money, just as they do in legalised sports betting products.

The problem lies not in the product themselves, but who CFD providers can market to and the lack of confirmation of personal trading ability when setting up an account. Additionally one could make the argument access to instruments like cryptocurrencies are not investment grade and are speculative instruments.

To prevent retail customers from either:

A) Paying higher fees to invest (by limiting margin lending)
or

B) Pushing customers to sign up with offshore CFD providers (far riskier)
<u>ASIC would better serve Australian investors by:</u>
1) Not applying the proposed restrictions on % limits for margin lending, specifically for equities and commodities.
2) Forcing CFD providers to make customers set a maximum loss limit for negative balances
3) Recognising that retail, wholesale and sophisticated investor classes do not effectively determine an investors ability and knowledge. Therefore create a simple online testing system to qualify an individuals knowledge on particular trading instruments, in order for customers to trade those instruments.

4) Considering % limits on margin lending solely for speculative investment classes like cryptocurrency.
5) Preventing CFD providers marketing their products to people who do not appear to be investors or have knowledge of how to invest.
<u>What does success look like for ASIC?</u>
Success is preventing <u>unknowledgable</u> consumers from trading CFD's, not simply shifting traders/investors into riskier offshore products or charging them more to borrow funds from other sources (which let's face it, is very simple to do).

Success is also compelling the CFD providers to qualify customers ability who use their products, compel them to show the costs of their service in real time and allow customers to minimise their losses based on the customers discretion (up to a max set by the provider).

Please do not implement the changes as proposed and limit my ability to access cheaper capital and/or force me into a situation where I have a portion of my capital with an offshore provider.

I am a knowledgeable and successful investor, having been investing for two decades, and while I don't qualify for wholesale or sophisticated investor status, I still have a considerable amount of capital and the ability to deliver substantially better returns to improve my quality of life.
Regards
Duncan Owen
[redacted]

Feedback

From: Eddie [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 23:59:51 +1000

leverage on currency pairs and gold is too high. Wouldn't use Peperstone any longer.

Feedback

From: Edward Ali [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com, ogiameos@gpkholdich.com.au
Date: Thu, 26 Sep 2019 16:36:59 +1000

Dear Market Supervisor,

I have just received an email from my brokerage, pepper stone, discussing the proposed changes you wish to sanction on FX and CFDs.
I understand the intention is to not have retail traders, whom can't afford to risk their capital, be over exposed with leverage in volatile markets.
This particular line of work (retail trading) requires you to put capital at risk. I believe these proposed sanctions will ultimately affect the profit potential for retail traders causing them to grow their accounts at a significantly lower rate.
All this does is make it difficult for newer retail traders to attain the status of sophisticated investors. I understand that people with higher asset value or income qualify themselves to risk more capital without it putting their financial futures in jeopardy. However, people trading financial instruments will understand the principles of risk as it pertains to our particular line of work.
Pepper stone, my brokerage, was chosen because it is both regulated by ASIC and has negative balance protection. Golden rule is never trade more than you are willing to lose and you can't lose more than is in your account. To be a profitable trader higher leverage is needed as the volatility of the FX markets is quite low, which is why higher leverage existed in the first place.
Pepper stone amongst other brokers provide enough educational material for a trader to properly educate him/herself, it is the responsibility of a trader to make sure he/she is properly educated on the subject matter before perusing. The trader needs to take accountability for how much leverage they can handle and not let that punish those who can.
I have only corresponded with pepper stone a few times, I was new to trading and they recommended I use a fraction of a standard contract. From a brokerage perspective our success is their success. In their application process you can choose how much leverage you get, which I'd assume is a regulatory thing.

I do feel as if these proposed sanctions will impact greatly on my opportunity, a 50% margin call and close of position i feel is more appropriate.

Regards,
Edward, if you wish to have further discuss, i would be happy too.