Feedback

From: Jarrod Emery [redacted]>
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 20:34:06 +1000

Hi guys,

[redacted] If they make these changes it will govern the retail trader of making any decent profits. I love pepperstone as my FOREX broker, but I'm sorry to say if they change the leverage I will be seeking a new broker in the states. Where the leverage is normal 1:100 + 1:200 + 1:300 + 1:400 + 1:500. I think it's pathetic to lower the leverage for retail traders. It takes all the excitement out of forex to make good consistent profits to live on. What's this world coming too? [redacted] While we work the rich get richer and poor get poorer. Large corporations will be fine as they will register as a pro trader so there leverage won't change. I actually have a professional that's going to trade my account for me in a months time. But I won't be using pepperstone if ASIC govern my leverage. Stand up for yourselves and fight to not have the change, do you know how many customers you will loose if this change takes place. I been talking to all the other traders about it and they all said they will pull the pin on pepperstone if it happens. [redacted]. FIGHT FOR NO CHANGES GUYS.

Regards
Jarrod

Sent from my iPhone

Feedback

From: Jason Payne [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Thu, 12 Sep 2019 02:10:05 +1000

As a starting trader it seems your proposals around leverage will have the effect of making it virtually impossible for me to make a living from trading. After 2 years of study and serious practice this will be a huge obstacle to success. Leverage is not the problem, it is people's personal risk management that is the issue. Increase the warnings although i believe they are already effective. Changing leverage requirements will only push out small and beginning retail traders making it a game only for the already wealthy.

Fwd: Feedback in regards to new leverage limits

From: Javier Ronda [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 20:22:34 +1000

---------- Forwarded message ---------
From: **Javier Ronda** [redacted]
Date: Wed., 18 Sep. 2019, 06:20
Subject: Feedback in regards to new leverage limits
To: <Market.Supervision.OTC@asic.com.au>

This is in regards to the recent regulation change to limit leverage levels from 400:1 down to 20:1.

I'm not happy about it as this clearly limits my ability to profit from the fx pairs fluctuations. Each investor should manage their own max risk per trade according to their account size. Is not that the forex pairs provide options liquid enough to leverage from trading either.

So, would you advise how can I regain my 400:1 leverage level, please?

Thanks in advance.

Regards,

Javier Ronda
[redacted]

Proposed changes to CFD leverage ratio

From: jaxon nowak [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 26 Sep 2019 10:01:54 +1000

Good morning,

I currently trade with FXCM & have been trading CFDs and options for 16 years in Australia.

I am strongly opposed to the proposed changes of lowering CFD leverage ratio.

The high leverage is a positive tool to every trader.

Uneducated traders I hear about do gamble away their funds but it is inevitable in any case.

Lowering the leverage will only hurt our trading systems that have been built over many hard years of testing, it will not stop amateur traders loose their money.

I take care of my family using my trading account, this proposed change can potentially devastate my trading systems.

There are several ways to combat people loosing their money, leverage ratio is not one of them.

Feel free to contact me for alternatives.

Sincerely,

Jaxon Nowak
[redacted]

Feedback - Proposed Changes to CFD's - Allow Markets and People To Be As They Are.

From: Jax Will [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com

Date: Thu, 12 Sep 2019 09:39:31 +1000
Attachments: Unnamed Attachment (68 bytes)

To ASIC,

I manage my own investments and have been in the markets for 15+yrs.

I can register as a wholesale investor so these changes will not even apply to me.

However, I feel it is important to say that most market participants (including providers, buyers and sellers) are not asking for your "protection". In essence they want to be left alone.

Market intervention by regulators always leads to unintended consequences that are unforeseen and usually problematic. Frederic Bastiat wrote about this over 200 years ago in his famed essay - That which is seen and that which is not seen.

That Which is Seen, and That Which is Not Seen; by Frederic Bastiat
The franc saved by James B.
BASTIAT.ORG

Mix

When regulators make out like they are protecting a certain group of people, those people will naturally think they are being protected so they perform less research and take less precautions because the responsibility has seemingly been given to a govt body that in essence cant really protect them. It creates a false sense of security.

In addition, it is a great thing when businesses and people lose money. Losing money and asset prices going down are market signals telling people they have made a mistake. People learn and become better investors and business people. Take an example from nature, some trees lose their leaves in the Autumn and grow new ones in spring. imagine a regulator came and said we want to protect you from losing your leaves because we think losing leaves is not good. So they intervene and try to stop the tree from losing its leaves. That would cause havoc to the natural process the tree goes through.

I know this email will have no affect on this process and the new regulations will be brought forth regardless of what market participants actually want. But if someone actually reads this and it impacts them ever so slightly then it may lead to a more beneficial decision.

Allow people and businesses to be as they are. If they can win and lose in their own time then they and the world will be better for it.

Thank You

Jax

Potential Regulatory Changes

From: Jean Philippe BARTHELEMI [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Wed, 18 Sep 2019 18:39:27 +1000
Attachments: Unnamed Attachment (68 bytes)

Hi,
I do not want to change the effects of leverage. Do not change anything! Otherwise I would leave because I came to FP for leverage.
Otherwise limited to 1: 300.
Best Regards
Jean Philippe BARTHELEMI

Feedback

From: Jeff Williams [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Mon, 30 Sep 2019 08:58:55 +1000

Hello,
I trade both Shares and CFDs on the ASX 200 & ASX300 and have done so successfully for approximately the last 20 years for shares and 12 years for CFDs.
I trade CFDs using Mean reversion strategies which means I have only an average of 4-5 days in a trade. These strategies have been developed using technical analysis methods.
For me, the main advantages of trading CFD's are:

- using a margin
- trading long and short
- competitive brokerage and funding.

I understand Risk Management and exposure and as such have never had a "margin call". Every CFD order, long or short, I place has a "Stop Loss" and a "Trailing Profit Stop". I know what my maximum loss could be every time I place an order. I work on a fixed risk per trade system.
Increase all share margins to 20%
Your proposal to increase the margin rates means that a much larger float is required to achieve the same $ profit
The 50% margin close out
Does this proposal use real time margin or end of day?
If real time is used, a position/s could be closed and then later in the day the margin recovers, so you have realised a loss/profit because of this proposal.
A "close out" at 50% margin has the potential to reduce profit by triggering an automatic "close out" of a trade that has only temporarily exceeded the 50% level.
Negative Balance Protection
A person can lose more funds than they have invested in all sorts of transactions, not just CFD trading. Right now there are, unfortunately, people who owe more than their property asset is worth i.e. negative equity.
Real time disclosure of total position size
The broker I currently use (IG Markets) provides real time value for total open positions

Real-time disclosure of overnight funding costs

The broker I currently use (IG Markets) provides this information on daily statements

Prohibition on inducements

No concerns with this

Risk Warnings

The broker I currently use (IG Markets) provides this information and has a comprehensive explanation on how trading CFDs can multiply your profits as well as losses, how margins are calculated and explain that you can lose more than your initial investment.
Transparent pricing and execution
I agree that this would be useful.
Comments
CFD trading is not for everybody and requires a very good understanding of risk management and exposure, but please let's not introduce so many rules that take away the advantages of margin trading.
Likewise, trading shares and investing in real estate is not for everybody, people need to

understand what they are intending to do before they put money into the venture.
It is the old story, “you cannot legislate against stupidity”.
Regards,
Jeff

OTC consultation

From: Jeremy Roach [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Mon, 30 Sep 2019 13:51:51 +1000

Good day Market Supervision.

I have been a retail trader since 2014, with significant current liquid assets.

Notably, not without losses when I first started, as it's not an easy activity; this being said, all ASIC regulated brokers that I've worked with, have all been transparent of the risks and provided information on how CFD trading works, including how to minimise risks. Far better than some other jurisdictions.

Some ASIC brokers I've worked with include:

- ICMarkets
- Peperstone
- ThinkForex
- FP Markets
- Axi Trader

Leverage changes:

Leverage is a tool and should be used wisely. Notably, some strategies, including scalping, require higher leverage to be more useful and allowing more flexibility with overall trading strategies.

Being able to trade multiple strategies is in itself diversification, and generally, diverse trading is less risky than trading 'heavily' in one strategy when you're limited by leverage. You're more likely to get stopped out, and take a loss at a 'maximum' loss that is caused by stop outs.

If there are concerns on inappropriate use of leverage, then perhaps the brokers can conduct an assessment of a traders habits, and have that conversation/ education on dangerous trading.

To be fair, if you left leverage as it is now, i.e. up to 1:500 on forex pairs, and increased the margin cut out, eg, 100% of when margin usage is reached, then you'd have less risk of losses exceeding an account (which would be covered by the proposed negative balance protection).

An alternative approach would be limiting leverage for new clients and allowing higher leverage after some period of successful trading activity – as a 'pro' like account.

Margin closeout levels.

To be fair, most brokers already have reasonable levels of margin call/ stop out levels. ~50% is common, if not higher

Negative balance protection:

This can be achieved by higher stop out levels.

I'd be concerned that this is shifting the risk from the client to the broker; where ultimately, the client should be taking responsibility for their trading activity. Market gaps and 'flash crashes' do occur, and clients should be aware of this risk.

Real-time disclosure of overnight funding costs.

Funding costs can be calculated from the specification sheet. I would encourage this to be converted based on trade size, account currency etc., day of week re triple swap.

Prohibition on inducements

I agree with this. Some brokers offer Qantas points as a function of trade size, which is a nice bonus, but I wouldn't consider it as an incentive.

Risk warnings

Agree on this transparency. It would be interesting.

Transparent pricing

Agree on this requirement.

In Summary:

Ultimately, if the leverage rules were to change, it would cause my range of trading strategies to be less versatile, and therefore I would look for brokers in an alternate jurisdiction.

I think other appropriate measures could be used to assist new traders without impeding current established traders.

Kind regards,

Jeremy Roach
[redacted]

Consumer Feedback on proposed CFD changes

From: JEREMY STAMM [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Sat, 07 Sep 2019 18:40:16 +1000

Dear ASIC

In regard to the proposed CFD changes for Australia in general I am supportive of these changes to remove the perceived regulatory arbitrage that was occurring due to changes that have occurred in overseas jurisdictions and to protect consumers for themselves in some cases.

The only issue I have with the proposed changes to CFD rules in Australia are in respect of the margins settings that are being considered for experience retail clients (who do not meet the definition of wholesale investors). I fully agree with ASIC's analysis that margins of 500 to 1 are not in the best interest of Australian clients. However, I think that ASIC should align the margin requirements on FX to similar levels in the United States (the leading global regulatory jurisidiction) which are 50:1 rather than the very restrictive 20:1 being considered. The margin requirement of 20 to 1 will mean that consumers need to increase the capital required to trade by 10 times from the current levels of 200 to 1 for example offered by IG Markets who are leaders in this market globally.

Also, the level of margin on shares and indexes will deprive experienced retail clients with the ability to legitimate hedge their long share portfolios or indeed short stocks which all wholesale investors are allowed to do. Also, in respect of superannuation holders of less than the AUD 2.5m of assets they will be unable to insure against market falls even if they have super assets of AUD 1m. Long CFD positions in shares are more cost effective than traditional margin lending so by introducing such tight limits you will be depriving some consumers of a great way to invest in shares.

At present their are 66 providers of CFDs regulated in Australia under ASIC's watch. There are quite alot of young people employed in this industry in Australia. The changes you are proposing will eliminated at least 70% of these providers in my estimation and as such will result in quite alot of jobs losses. This needs to be kept in mind when the final changes are implemented.

Kind Regards
Jeremy Stamm

New leverage restrictions

From: Jivesh Kaushal [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 16:07:55 +1000

I saw a post on an online forum, where they said ASIC is drastically reducing leverage, and rather suddenly, from 500:1 to 20:1 on all forex pairs. Currently, it seems to apply to residents of Australia only?

I have not received any email regarding that yet. I am from Europe and opened an ECN IC Markets account in June 2018. Are these leverage restrictions also applied to international clients?

Why were we not told that this restriction would be in place, when international clients were being forced on the Seychelles branch? One week, we were all supposed to move to IC Markets (SC) and then next week, we were told that are accounts will stay with IC Markets (AU).

Jivesh

Feedback

From: Joe elchagie [redacted]

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

Cc: respond2asic@ig.com

Date: Mon, 02 Sep 2019 20:24:22 +1000

My Dear,

My name Elchagie Elchagie ,thanks for give me the chance to respond for the prospect for the change of the change of the regulations for CFD trading .

I sent another email before and this is second please I have fair request I hope you will consider when change the margin for CFD , that any increase in the margin will not apply for already old open positions before the change in the regulations for the customers till they close it or when they open new one then the new margin will apply .

So the new margin only apply for the new position they open it after the change in the regulations because if not the CFD provider will ask us cover up with more money if we could not cover they will close the positions and we lose they will win and some positions are long term so it isn't fair , so please consider this point . Thanks .

Your sincerely

Elchagie Elchagie

[redacted]

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Feedback

From: Joe elchagie [redacted]

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

Cc: respond2asic@ig.com

Date: Thu, 29 Aug 2019 20:40:58 +1000

Dear sir ,

[redacted]

Thank you for the prospect from ASIC to protect the small traders In CFD but please I hope it will not be hard change and please not to tight regulations because if you will make it hard for the local Australian CFD broker and investors then Australian investors could open account with online international brokers online and then they lose all the Australian government protections .
Im dealing with IG market for more than 10 years without any problems , so please I hope don't market it hard please don't increase the leverage for the share 20 % , IG they have good system they charge leverage according to quality if the top 20 of the share from they charge 5% to 35 % .
So please CFD is good system and good tools for hedge , as well doesn't need tight in price maybe add more protection for traders and thank you for the hard work and I'm ready for any questions or answers if you need from me , thanks .

Your sincerely
E. Elchagie
[redacted]

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Feedback regarding consultation paper 322

From: j g [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 18 Sep 2019 17:54:40 +1000

I am a retail trader who regularly uses CFDs and digital options, mainly through IG, I would like to provide feedback on the 322 consultation paper.

I disagree with the proposed ban on binary options. A total ban on digital options is an extreme measure. You say they are akin to gambling and thus should be made illegal and yet other forms of gambling such as horse racing remain legal.

Digital options are unique in that the maximum possible risk and the payout in the event of success are contained and easy to understand. This might give an investor in a market the confidence to takeout a position they might otherwise avoid because of the uncontrolled risk. The provider of the digital options might then hedge there own risk exposure with a more traditional investment.

Just because digital options are short term doesn't mean they cannot be used as hedging. A central bank interest rate decision might induce more volatility in a few minutes than a forex market might see in several days. Digital options could be used to hedge these short term high volatility events.

This financial year I have made 123 digital option trades with IG and yet still maintained a profit. I thus disagree that losses over large trading pools are virtually guaranteed.

I think the changes to CFDs are reasonable and would protect people from taking out unreasonably large positions that might cause problems with gaping while still allowing enough flexibility for sensible use. Perhaps something can be proposed similar for digital options something between no change and a total ban.

Thanks for your consideration
Joel Green

CFD FX Leverage

From: Joe Tai [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 20:58:11 +1000

Hi ASIC,

I understand FX trading is risky. But each to their own if people want to gamble their money away. Please leave the leverage ratio for FX CFD as is. Changing leverage from 400:1 to 20:1 is too extreme. Please reconsider this proposal.

Regards
Joe

Feedback

From: Johannes Smit [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Mon, 02 Sep 2019 10:07:44 +1000

Hello,

I've read the ASIC proposals which intend to place restrictions on retail traders in the CFD markets and, in view of the fact that I have had a very satisfactory and trusted relationship with my broker for many years, would object to your intervention.

The proposed margins on major indices and forex, at ten times the current levels, are particularly onerous and should remain at the discretion of the broker with the individual client. I do support the "negative balance protection" to some degree, although under current rules I think most brokers would close out a client's open positions before this situation was triggered.

As far as financial markets are concerned I'd like to see a level playing field for all participants, both retail and wholesale, but unfortunately this is not the case. Rather than targeting retail traders, I would prefer to see ASIC address the blatant market manipulation on the ASX by influential traders using "High Frequency Trading" facilities.

Sincerely,
Johannes Smit

Product intervention: OTC binary options and CFDs

From: John Bakhos [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sat, 21 Sep 2019 13:32:29 +1000

To whom this may concern,
I am writing to refute the proposed changes in CFD leverage and margin restrictions.
Reducing the leverage and margins to the proposed levels will not benefit retail clients. We should have the option to choose what leverage we want to enter in at our own risk. To act on the best interest of the client is to provide more education and warning.
My suggestion will be to provide new retail clients lower leverage ratios once they sign up with the option to increase in due course. Having a blanket margin which is far lower than what it is now will effect more seasoned traders and people who trade for a living.
I urge you to reconsider the leverage and margin restrictions changes and to leave them how they are.
Kind Regards,
John

Changes to Leverage in FX trading with Brokers under ASIC

From: John E [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Wed, 18 Sep 2019 12:49:56 +1000

Hello,

As a trader I recently read that ASIC is trying to restrict margin requirements for FX traders . It amazes me that you decided to even consider reducing margin requirements which will in turn discourage the little people like us to trade confidently in the proposed regime . That means a lot of traders won't be able to meet that requirement. The option for people like me have will be move to brokers in other markets or move with broker that move to other markes. Its a free world.

Australian brokers are one the most transparent in the industry that is why most of us gravitate towards opening account with them.

You proposal will kill their business and for those that put on their thinking hats will open outfits in other countries like Cayman islands etc.

for example I have an another account with a broker under the FCA UK and they made similar changes a few years ago, My broker which was a good broker open another outfit in Cayman Islands. Guess what? I move with them .I am happy with them.

So it up to you guys that think you are too smart. I will move with my Australian broker when they decide to move as well.,
Really I don't have too much time to educate you guys on the repercussion but in a nutshell it is a bad idea to fix what isn't broken.

it is up to you Big Boys . You can go ahead and kill business. Most brokers that were under the FCA lost a lot of clients and have gone out of business. some moved . The same will happen in Australia.

Just my 2 cents

Feedback

From: john ivancic [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 25 Sep 2019 13:28:05 +1000

Thanks for the time to supply some feed back
Most points agreed with except Leverage ratios
For instance, with stock indices proposed amount is currently at approx. $11190 at today's date and margin of proposed 6.67%.
With the likelihood of a drop more so in the index price of other 400 points in a day non-existent, that is a lot of capital tied up for a what if scenario.
I am aware of a few CFD providers that offer guaranteed stops, would it be a better approach that guaranteed stops are always activated, or applicable to the margin that is currently used by the providers$800-1000 which accounts for 99% of daily movements in the indices.
The proposed margin amount just seems too excessive for the daily movement of the indices.
Guaranteed stops would be a better way of avoiding losses than just the proposed increase in margin, as yes higher margin may deter people from trading but is going to affect ability to loss if they continue to trade.
If guaranteed stops where set at 10 point intervals to a max 40 point loss with the trader setting the interval, this would cover the current required margin and stop excessive losses.
Regards
John Ivancic

Potential Regulatory Changes

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Mon, 30 Sep 2019 23:36:47 +1000

Dear Sir / Madam,

I have reservations about the proposed changes to CFD Trading. I believe the changes may be well intentioned but may impose unintended consequences to those who use CFD's as a hedging tool.

I have had to give up work as a Fixed Income trader to care for my spouse who has suffered serious illness. We have built up a sizable equity portfolio over a number of years, which I manage with the use of CFD's. I don't use this product to further increase our equity exposure, but to manage our cash equity exposure without having to liquidation positions that we are intending to hold over the long term. CFD's are our primary tool to reduce risk against our portfolios during periods of high volatility.

My concern with the proposed changes will mean that our ability to minimize our risk through CFD hedging will in fact have the opposite result. It is my view that the proposed changes in raise our Risk Profile on many fronts.

1. Margins - The capital we will need to deposit with brokers will increase significantly and as a result we will not have sufficient funds to cover our hedged positions. We hold stock against these CFD's position, but to significantly increase margins defeats the purpose of hedging . The proposed capital requirements will severely inhibit our ability to adequately protect our assets during times of perceived market volatility.
2. Margins - Mandatory stops on our CFD positions will increase our market risk, as these positions contra out our physically held equity exposures. During periods of high volatility, our risk will obviously increase if our broker was to stop out our hedging positions without doing the same to our underlying equity positions.
3. Margins - The increased capital requirements for margins increases our counterparty risk should our broker get into financial difficulty. This is a real concern and believe not necessary particularly when CFD'S are used for hedging purposes.

Whilst the proposed changes may seek to protect retail investors from making poor investment decisions. When CFD's are used for risk management purposes as opposed to leverage they compliment efficient markets. My concern is if the proposed changes are implemented without taking into account the risk management attributes of these products the market will become more susceptible to shocks.

With the Centrals Banks and Governments moving interest rates towards zero, Asic needs to be mindful of the fact that investors are being forced into a riskier investment curve. That is bonds are becoming less attractive and unfortunately Equities and property markets will benefit even at these lofty levels. The proposed changes will aid the sophisticated investor as retail investors are priced out of these important products. This is not fair and morally wrong as these investors are being forced into riskier assets by the Central banks and Government.

Yours sincerely
John Macken

Feedback

From: John Redgate [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Sat, 21 Sep 2019 18:11:23 +1000
Attachments: Unnamed Attachment (68 bytes)

Proposed Increase of margins is my only concern.

Increasing margins will effectively inhibit or simply prevent smaller account holders from any meaningful trading activities.

IG MARKETS makes it very clear, high leverage is a double edged sword, amplifying both loss and profit. However, the potential for amplified loss is easily mitigated by executing a simple trading plan with sound money management rules i.e. stop losses, trailing stops, the use of guaranteed stop losses, NEVER engaging more than 50 % of available margin, appropriate position sizing etc etc

People loose money in the market because they have no system, no trading rules and no discipline, thereby succumbing to knee jerk fear and greed mentality trading. **Theses people WILL always loose money regardless.**

Implement changes in margin to <u>new account holders</u> etc for several years etc, make them under go some form or training/testing, though please do not penalise everyone because of the morons out there.

Cheers

John

Virus-free. www.avast.com

Feedback

From: John Simpson [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 12:11:24 +1000

To whom it may concern

I am writing to express my opposition to the proposed changes regarding the lowering of margin rates on FX accounts. I have been studying and practicing trading for seven years and I have put more time into learning how to manage risk than I have learning about any other aspect of trading with the exception of trade psychology. So risk management is most important to me. My style of trading requires having high percentages of margin because of open drawdown which I manage successfully. The more margin I have, the further away from trouble, (margin calls), I get. Hence the need for higher leverage limits

I believe there are a minority of traders, mostly trading Binary options, who are ruining the situation for the majority because of lack of education. In my case, I will have to look offshore for brokers having higher margin rate levels which will not be covered by ASIC rules, defeating the purpose of having that governing body protection here in Australia. This covers my feedback on Condition 1 (Leverage Ratio Limits) of the proposed CFD requirements.

With regard to proposed Conditions 2 – 8, I agree with in principle! I think they will go a long way to help protect uneducated traders from themselves.

I also advocate completion of a standardized training program that addresses the issues of margin and risk management for traders opening a new account. This training would go a lot further to solving this problem than the proposed outlines would. Some of the best education about how to safely trade FX is free online. I can provide examples if required.

With regards,

Warren Simpson

To whom it may concern

I am a retail trader who has been trading CFD's with IG Markets and CMC for over sixteen years. The following are my responses to the ASIC Consultation Paper 322 that proposes, inter alia, to considerably curtail the amount of leverage made available to retail clients:

1. I do not trade Binary Options and have no interest in doing so in the future. I agree with the paper that the trading of Binary Options is essentially gambling and that they play no useful role in the management or hedging of a portfolio of investments.
2. In contrast, CFD's **do** provide a useful tool in the management of portfolios as well as providing a means by which students of the markets can enhance their wealth by the use of leverage in trading the markets.
3. The availability of high levels of leverage is indeed a dangerous tool in the hands of inexperienced traders. Nevertheless, for experienced traders, it can be well managed and used to good effect.
4. I do not satisfy the criteria for the classification 'Wholesale Client' because I can not demonstrate nett assets in excess of $2.5 million. Accordingly, under the proposals, I would be reduced to only being able to trade at novice level which would seriously impede my ability to make money trading.
5. Arguably, clients with assets exceeding $2.5 million also need protection from the availability of excess leverage. In fact, the losses in absolute terms for inexperienced, high nett worth individuals, are likely to be much greater.
6. I propose that there be an intermediate classification for clients who have been consistently trading for in excess of ten years but can not demonstrate assets of over $2.5 million. This intermediate classification could be termed 'Expert' , 'Professional' or 'Experienced' trader.
7. If there are clients who have been trading CFD's for more than ten years and are still losing money, then the cause can not be blamed on ignorance of the effect of leverage or ignorance of how CFD's work. In such instances, I would respectfully suggest that it is not the place of regulators to intervene to prevent such traders from doing perceived harm to themselves. Losses may simply be a hedge doing its job.
8. It is a long and expensive apprenticeship to becoming a successful trader. Your proposals as currently written, would considerably limit the ability of those of us who now know how to trade, from successfully winning back our apprenticeship fees.

I would be grateful if you would give serious consideration to my comments and proposals above in coming to your decision.

Sincerely

John Sutton

[redacted]

[redacted]

30 September 2019

ASIC Consultation Paper

From: John Zubrinich [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Thu, 19 Sep 2019 05:04:47 +1000

Hello ASIC,

I write as an individual Trader to comment on CONSULTATION PAPER 322 on the subject of BINARY OPTIONS and CFDs.

Binary Options are of no interest to me, and my comments relate only to CFDs. I'm 74yo and retired from full-time work since late-2006.

I commenced trading CFDs in 2001, mostly for currencies and UK/US equities, and have traded them intermittently since. There were some excesses with the first Australian provider, CMC Markets, but these were largely self-corrected as new providers entered the Australian market, and I personally never had a problem.

My assessment of your proposed market intervention is that it is at the extreme end of the use of your powers and could be summarised as a "nanny-State" response. Markets and Trading involve risk. Individual adults are responsible for their own decisions. As a father of 4 and a grandfather of 12, I realise children must be protected, but adults make their own decisions and must be allowed to make their own mistakes.

My brief comments on your proposed 7 changes:

1. Maximum leverage rates : The proposal is EXTREME and RIDICULOUS. If an individual adult Trader wants to embrace more risk, what business is it of ASICs?

2. Margin close-out : I don't see the need for this, but experienced Traders could work within this.

3. Negative balance protection : This is grossly unfair to the CFD service provider.

4. Real-time disclosure of overnight funding costs : OK

5. Prohibition on inducements : OK

6. Risk warnings : OK. These are provided for cigarettes, but the users are permitted to make bad health decisions. That is what adults can, and should be able to do.

7. Transparent pricing and execution : OK

Trust this is of value to you.

Regards,

John Zubrinich, Melbourne [redacted]

Feedback

From: Jose Dieguez [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 06 Sep 2019 18:45:27 +1000

Ridiculous!
Is the tax that the ATO gets from traders not enough already ? now the baby state is coming to save us all from out habits. Tell you what I also binge drink every weekend at home and waste thousands in brothels. Are you going to save from myself? Ridiculous!
Instead worry about how banks screw customers with their unfair terms in mortgages and investments loans or how multinationals shelter their earnings by shifty by apparently legal means. Which by the way are in place because people in government are getting a nice handout.
Hands off CFD margins and worry about bigger issues I say!
Kind Regards.
Jose Dieguez

Feedback

From: Joseph Kalk [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Thu, 12 Sep 2019 08:36:04 +1000

Hi,
I disagree with the changes proposed and vote not to proceed.
I think you should give the trader the options to go for 20:1, 100:1 or 200:1 leverage.
Regards,

Joseph Kalk
Senior Accountant|EG

[redacted]

CFD’s and FX changes feedback

From: Josh Auld [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 11:35:17 +1000

Hi,

I write to provide feedback about the proposed changes regarding CFD’s and FX.
I am an FX trader who has now after many years of patiently practising and testing finally broken through to get consistently positive results. It has been THE most frustrating experience of my life but after 3 years it has finally come together.
During that time I have come across many frauds, scams etc and I support most of the proposed changes to help prevent that.

However, the two changes I do not support at all are the leverage changes and margin close out changes.

The primary reasons for this are that with high leverage I enjoy right now (up to 500:1, but I use only up to 200:1 for my needs), it means that I do not need to deposit ALL of my funds I have dedicated to trading, but can still base my risk % per trade on my entire portfolio balance. The benefit in this is that I can keep 80-90% of my dedicated trading funds in an offset account for my mortgage which saves in interest OR spread amongst other brokers for safety, and the other 10-20% can be deposited in my trade account to use as margin for trading FX and Gold.
The high leverage allows me to trade as though I have the entire amount in a broker account even though I do not and I can place positions of size that match my risk based on the whole portfolio.
If leverage is reduced and margin close outs increased to 50% this will mean I would have to deposit my entire portfolio into a single broker, an uncomfortable position and removes my ability to hedge losses against the savings in interest on my mortgage. This isn’t a good solution, it’s quite an uncomfortable proposition and unfortunately will mean I will have to seek the services of an unregulated international broker to service my needs, completely circumventing the protection ASIC is trying to create with the proposed changes and putting my money at even more risk than what it is now. I imagine this is what most other FX traders will do also, as nearly all other traders I have spoken to have said this is what they will do if these changes come in to effect.

I support the other changes but **please** do not force leverage and margin changes on FX and Gold. I do not like the idea of needing to trade with cowboy unregulated international brokers where my money doesn’t have the protection it has now with ASIC regulated brokers.
Traders must take responsibility over their own trading and fund management. I have never experienced a negative balance even when I have lost entire accounts whilst learning (lost over periods of time using trade by trade risk management, not one hit), because my risk management is my responsibility and I always ensure that even in the most volatile conditions, my margin will always cover my positions and stop losses are utilised.

Thank you.

Regards,

Josh

Regards,

Josh

Fwd: Changes Proposed by ASIC – Have Your Say!

From: Jurek Zet [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 23 Sep 2019 13:00:00 +1000
Attachments: Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes); Unnamed Attachment (68 bytes)

Dear Sir/Madam,

Please find below my feedback on proposed regulatory changes:

1. I support tighter regulations on binary options
2. I support new suggestions regarding Prohibitions on incentives (trading rebates and gifts); Displaying risk warnings; Negative balance protection; Disclosure obligations. and all others supporting better education of market participants.
3, I oppose such strong restrictions on leverage especially on FX pairs which move only by a fraction of the percent daily. Proposed restrictions of 20:1 will make it impossible to make money for all retail intraday traders with smaller than 100k accounts. Additionally, it will force traders to hold much larger accounts at the brokers account instead of bank account, therefore incentivizing/tempting brokage companies to commit potential frauds and call for bankruptcy destroying public trust for many years.. It is indeed not well thought through change under a banner of "protecting the public". When, in reality, it is limiting for those who treat this as an extra source of income or capital growth. Additionally, it might result in searching for brokers who are not based in Australia and therefore less safe.

Can't see this email? View it in a browser

Dear Client,

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

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

CFD Leverage Ratio Limits

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

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

For instance:

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

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

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

Standard Approach to Automatic Close Out

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

For instance:

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

Other Proposed Changes

- Prohibitions on incentives (trading rebates and gifts);
- Displaying risk warnings;

- Negative balance protections;
- Disclosure obligations.

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

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

Will I be Impacted?

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

Have Your Say

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

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

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

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

Feedback - Proposed Changes to CFDs

From: J Dorward [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sun, 01 Sep 2019 11:32:10 +1000

To ASIC,

In response to the proposed ASIC changes affecting IG products, as outlined here: https://www.ig.com/au/asic-proposals?CHID=3&QPID=30774&tid=01dce1ea6881015b473df8fe101167b2

Margin close-out
This concept will increase the overall funds retail traders will need to hold to be able to trade since 50% of their account funds are effectively unusable. ASIC must balance retail trader risk factors with the barriers to trade being established or extended. A buffer operating in this manner is necessary and beneficial, yet 50% is likely too high. A substantial yet not prohibitive margin close-out percentage of 20% to 40% is more realistic. Understandably, brokers will welcome a high percentage as it requires retail trader capital to be held in customer accounts.

Negative balance protection
This is a welcome measure, yet ASIC must consider how it will impact the costs of trade. This guarantee may be considered similarly to a guaranteed stop, which attracts a premium.

Real-time disclosure of total position size
and
Real-time disclosure of overnight funding costs
These are most welcome changes as greater real-time data greater informs customers. Some may argue greater transparency allows retail traders to take greater risks. However, other proposed changes cater to cover these risks in an effective manner.

Prohibitions on inducements
Brokers ought to be able to responsibly offer existing retail customer rewards where these customers have demonstrated a strong knowledge of the market, trading practices and results. Defining successful retail customers is required to reward those existing customers that the broker feel are low-risk and cognizant of the trading environment, while protecting new customers.

Risk Warnings
Risk warning ought to include case studies so properly illustrate to new customers and experienced customers beginning to trade in a new market exactly what the risks are, how they interplay and what failure actually looks like. Standard lines that warn risk exists but offer no explanation have little effect.

Transparent pricing and execution
This proposal is most welcome as retail customers seek under understand all elements of trading, especially costs of business.

Regards,
Justin Dorward

Compliance Changes

From: Justin Sommer [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 14:53:32 +1000

To whom it may concern
I am writing to object to the upcoming changes in leverage that ASIC is proposing. I strongly disagree with the proposed changes. There is no reason to limit leverage levels.
I have traded for years with very high leverage (500:1) and I have never had any issues or blown any accounts. The people who are trading should fully understand the risks themselves.
I find it totally unfair that because a small percentage of clients don't know how to trade or manage their risk that all the other traders must suffer as a consequence.
Maybe you should make it mandatory to prove that you understand leverage to all new trading clients that open an account. A test that they have to do when they open any new account.
All people who are trading are adults and should be fully aware of the risks of using leverage.
There are no government regulations on gambling in this country, anyone can lose an unlimited amount of money playing poker machines or betting at the TAB, Again the people doing this are adults and know the risks at hand.
I fear that if you implement these limitations all clients of Australian brokers (which currently are the best in the world) will move their money to oversees brokers who offer high leverage. I know that I definitely will.
There is so much money coming into the Australian economy through our great Australian brokers. This will kill such a strong industry. We are already losing so much money and talent to oversees.
Why should Australian brokers and traders like myself suffer because some clients cannot manage their risk properly? This is totally unfair.
I don't have a problem with an automatic close out of positions if they go below 50% account balance and I also agree with a negative account balance guarantee. I think these are a great idea and would help limit loses for those people who don't understand how to trade and manage their risk.
If you have any questions please feel free to contact me.
Regards
[redacted]

Feedback

From: Kallum Ottenhof [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 17:30:14 +1000

Hi,

I would like to provide feedback on the proposals regarding changes to retail forex investors.

I believe that leverage should be left alone, or even increased. For experienced traders, they should not be restricted in how much leverage they may use, as some trading strategies require a high level of leverage to be profitable.

An alternative to limiting leverage might be putting accounts on "provisional status" where accounts have restricted leverage for a certain amount of time until they can prove they are turning a profit, much like a credit card increase.

There are many other concerns in the forex market which I believe should be addressed first:

1) The ability for forex brokers to widen spreads to insane levels should be limited. This is the number one reason that investors get their positions wiped out. Advertising as having "low spreads of 0.1 pips" is quite often impossible to actually achieve when live trading, and during so-called "volatile times" spreads can reach 100 pips on certain instruments. This should be made illegal.

2) Forex brokers can charge admin fees on products without them being disclosed on their website, and can change them at will. This should also be more highly regulated. For example: The period which no admin fee is paid on swap-free accounts was recently increased from 2 to 10 days, then reduced back to 2 days arbitrarily and without any notice. This charge can be substantial and should not be allowed to be varied like this.

3) Some forex brokers (such as IC Markets) ask for a certificate from your local mosque for swap-free accounts as this trading is supposedly targeting "Islamic traders". I believe this is a massive breach of Australia's anti-discrimination laws and swap-free accounts should be available to everybody or nobody at all.

4) Wording in the PDS states that brokers can take funds from your account to cover losses incurred by other traders. There should be protection against this.

These are just a few examples of broker behaviour which should be addressed before considering changes to leverage available to retail clients.

Regards,

Kallum Ottenhof

Feedback

From: KAMLESH KRISHNIYA [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Fri, 13 Sep 2019 12:27:24 +1000

This is against the consumer. ASIC should not apply these reforms.

Feedback

From: Karl Grimm [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Sun, 01 Sep 2019 17:45:37 +1000

Dear ASIC,
I have been a client of IG Markets Australia for 5 years, and have a CFD account with them. While there is inherent risk involved with CFDs, I would like to give IG the highest recommendation as an organisation. They always warn of the risks, and take reasonable actions if things become dangerous. They also dealt fairly with their one error during this time (in my favour). I have found them to be ethical, responsive, diligent, and organised. They always answer the phone, including extended hours for Aust after the UK team get to work in their morning.

Before signing up with IG Markets, I spent time researching a range of providers. It was very clear that the CFD industry had a terrible reputation, and I believe several providers went bankrupt. But to date, IG have been very professional. Their system is easy to use, and information is presented clearly, including account balances, trading history, and all of the necessary information required for Tax Returns.

For the record, I have no relationship with IG, they did not encourage me to write this. I am just a (fairly small) client.

Regards,
Karl Grimm.

Feedback

From: Keshia Ika Wijaya [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Mon, 18 Nov 2019 09:36:29 +1100

This new leverage proposal are way to low for retail traders who wants to trade using small funds. 1:500 is already low enough compared to other licenses that allow leverage 1:1000 or even 1:2000. Come on Australia!

Regards,
Keshia

Feedback

From: Kelvin Nguyen [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Sat, 28 Sep 2019 15:30:24 +1000

Dear sir/madam,

Through my Forex broker Pepperstone, I received the information about ASIC's product intervention proposal. Although I understand the effort of making it a better place for everyone to not risk there hard-earned money into something unpredictable like Forex market, I am worried that some of the proposal changes will bring more problems to us, retail traders, instead of protecting us.

I copied the information provided by Pepperstone, added my point of view in green .

* Proposed changes to leverage caps
A key focus of the proposal is leverage restrictions, which will affect the amount of margin retail clients are required to deposit to trade CFDs or FX. Here's how the proposed changes look:

20:1 leverage on currency pairs and gold = 5% margin
The leverage rate should be a free of choice from traders, which fits there trading style. Reducing leverage rate will only create another barrier for retail traders, who have small capital. A bad trader would still lose a lot of money even with the lowest leverage. Currently Pepperstone allows us to choose our preferred rate like 50:1, 100:1, 200:1, or 400:1. I personally am using 200:1 rate and I have no problems at all. If FX leverage rate is forced to be down to 20:1, I have no idea how can I continue trading with my small capital.
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

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* Compulsory margin close-outs

If the funds you hold in your account fall to less than 50% of the total initial margin required for all of your open trades, there is a requirement to close out your positions. This one, again, is not necessary and will not protect traders from anything. It will bring more harm than good in case of high volatility. For example, recently when all the Turkish Lira pairs went up and down by more than 10%, if my positions were forced to close at 50% loss of my fund, I would had lost half of my account. Indeed, my funds went down to 40% but then recovered to normal state, due to high volatility of USDTRY pair, and I did not lose money. This one is better to be chosen by the traders rather than the regulations, because it relates to risk management and different traders have different choices.

- * Real-time disclosure of total position size

  There's a requirement for real-time disclosure to retail clients of their total position size in monetary terms for all open positions on their account. **100% agree** .

- * Real-time disclosure of overnight funding costs

  There is a requirement to provide real-time disclosure of overnight funding costs on trading platforms as an annualised rate of interest and as an estimated cost in the CFD's currency. **100% agree** .

- * Prohibition on inducements

  Trading inducements to open or fund a CFD account, or to trade CFDs, are out. Inducements include gift, rebates, trading credits or rewards. ASIC excludes educational tools, informational services or research tools as incentives. **I find this one unnecessary because it depends on the marketing strategy of the company and those inducements do not bring harms to traders. I agree that new traders might get lost and picked wrong brokers because of those not-good-as-it-sounds inducements. However I believe it is something to do with information transparency rather than complete restrictions like that. For example, my experience with those inducements was with another broker when I was looking for a good broker to open my account: a broker said that they would give me 20% credit on my deposits, but after I emailed them to ask for details it turned out to be not good because the credit can only be used in case I lose all my real money, which is not ideal at all. Therefore, I believe that if the regulations make brokers to provide detailed and transparent information about the inducements like how to use it, whether it has any conditions or limitations, etc., it would be perfect to prevent some companies from misleading new traders.**

- * Risk warnings

  There's an obligation to include risk warnings on all client-facing documents, platforms and websites and will need to disclose the various risks associated with trading CFDs and FX, as well as the percentage of retail client trading losses over a 12-month period. **100% agree** .

- * Transparent pricing and execution

  There's a requirement to publish pricing methods and execution policies. Policies need to cover: how the price is determined, the use of independent and externally verifiable price sources, the application of spreads and mark-ups, situations where prices vary from this methodology, and how client offers to trade CFDs are dealt with. **100% agree, this is the thing made me concerned because I do not understand how the swap and commissions are calculated. What I can see is the final numbers without explanation. Of course I understand the formulas and calculation theories but when I tried to calculate them by myself they do not match** .

One thing I can see from my own experience is that traders' knowledge is everything matter even when the market is up or down, high volatility or not. The restrictive regulations might make new traders lose less money, if they are bad and unlucky enough, but they cannot be protected forever if they do not upskill. Will it make more sense to have regulations to enforce traders' knowledge? For example, new traders have to open demo accounts in 6 months and make at least 10000 trades or win at least 70% or gain at least 30% before opening a real account. A "trading certificate" can also be issued for the ones passing a trading test from ASIC to make sure that they have knowledge of what trading is and how it works. Also, there are a lot of unlawful brokers out there misleading traders in many ways. You just need to check some forex forums to know of them. I think they should be targeted heavily, not the regulated ones. If the intervention proposal is implemented and regulated brokers follow it strictly but the unlawful ones do not, how can new traders being protected? I highly doubt whether many people know of ASIC regulation when picking brokers. They might only see that some brokers provide low leverage and might want to go with the others providing higher leverage. It will only create a loop and the ones losing are retail traders.

From all the points above, I believe that ASIC has been working hard to provide that proposal, but there are something not ideal from the view of a retail trader, the one that would be affected heavily if those regulations are implemented. I highly recommend that those points are reconsidered to ensure the equal chance of retail traders to play in Forex market.

Regards,
Kelvin Nguyen

Feedback - ASIC's proposed changes to CFD and binary options trading

From: Khalid M. Syed [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 26 Sep 2019 08:49:35 +1000

Hello,

The proposed changes, although well-meant, are going to be a disaster for retail investors. Skilful and responsible retail investors can currently make their way out of poverty buy risking a relatively small amount of money. This option will be taken away from them and the bar will be raised many fold, making it difficult for skilful and responsible retail investors to achieve their dream.

The net result will be that the gap between the rich and poor will increase and become harder to cross. It will become even more difficult for the poor to elevate themselves out of poverty while the rich will remain unaffected. So, reduction in margin is HIGHLY UNDESIREABLE.

Of all the proposals, the one that makes most sense for retail investors is "negative balance protection" and some brokers already have that. If the real purpose is to assist the retail investor and NOT hold them back then only the following proposals make sense:

- Negative balance protection
- Real-time disclosure of total position size
- Real-time disclosure of overnight funding costs
- Risk warnings
- Transparent pricing and execution

All other proposals will essentially have the effect of holding back the retail investors, reducing liquidity and competition in the market.

Kind regards

Khalid

Feedback

From: Khoi Nguyen [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 29 Aug 2019 22:11:11 +1000

I think this is gonna kill CFDs

ASIC Consultation Paper

From: [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Wed, 18 Sep 2019 11:25:56 +1000

Hello,

I currently trade both long and short CFDs in Australian and USA shares. I am a sophisticated investor and a wholesale client under sections 708(8)(c) and 761G(7)(c), respectively, of the Corporations Act 2001 (Cth).

I have not had the opportunity to analyse any trading data and so do not know what percentage of retail traders "lose everything". If that number is relatively small, I would hope the proposal is not a "sledgehammer for a thumbtack", that is, something that limits the opportunities of the sensible many for the sake of the foolish few.

Nevertheless, I understand the need to protect retail traders from themselves and think the "margin close out" and "negative balance" protections have great merit. I agree that retail clients ought to be made aware that their investment may result in substantial loss before that occurs and, if the investor does nothing, that there should be an automatic mechanism to close the position before the loss exceeds the funds the investor has made available.

However, given these protections were in place, I do not see the need to set a "margin close-out rule" at 50% of the initial required margin as this would certainly exclude a great many retail investors from practical participation; the required balance would be too great. Admittedly without any analysis, I would have thought 10-20% would be practical for both the investor and the broker.

Again given the "margin close out" and "negative balance" protections were in place, unless I'm missing something I think the suggested "maximum leverage rates" are unnecessary. If a maximum loss is in place, why limit the leverage? The trading platform software would of necessity have to be updated to ensure the protections could not be breached. This of itself would set practical leverage limits applicable to the individual investor which is a far superior approach to the "one size fits all" that would otherwise be the case.

Regardless, the suggested "maximum leverage rates" are too restrictive as many smaller retail investors would not have sufficient investible funds.

I would urge ASIC to require a safety net for retail investors provided that in so doing retail investors are able to participate in CFD trading on the same terms as the "big boys". Everyone deserves the right to maximise their opportunities from a level playing field.

Kind regards

Kim Barnes

ASIC proposed changes in Forex cfd trading Leverage

From: Kim Leow [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Tue, 24 Sep 2019 09:58:36 +1000

Dear Sir

I trade Forex CFD

I think cutting down the leverage by 50% is workable eg for a 400% leverage reduce it to 200% . Beyond that , it would kill the industry.

Thank You

Kim Leow

Feedback

From: Kim Lim [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 25 Sep 2019 21:04:42 +1000

To whom it may concern

I'm a retail cfd currency trader and believe that the changes to leverage will impact my ability to make money but also hold my positions for timeframe and risk tolerance.

I trade micro lots and feel that these changes are being made without an understanding that many in the cfd fx market position their trade sizes in accordance with their risk tolerance and also capital requirements.

I feel a better means of protecting ill informed retail investors would be to force them to under a course and also have a specific demo trading account period where they are forced to trade for a period of time i.e 2 months and demonstrate that they understand the risks but also gives them the opportunity to experience the market violatity and also the cost of holding open positions overnight. If the retail trader can demonstrate that they can have appropriate risk management and also make money during this period without blowing their account this would be a appropriate means of ensuring retail trader understand the risks of fx cfd trading at higher leverage levels.

By limiting the leverage this limits both up side and down side. Additionally this will mean one will need to have more capital invested into their account limiting one ability to ulitised the funds elsewhere i.e home loan offset, buy and selling shares through broker etc

In the example supplied in the consultation document of Tim, he is obviously over leverage with his position. He should only be risking 1-1.5% of his account on the one position. For a 10k account he should have been trading a micro lot not a standard lot. A lack of training and understanding is what caused him to not only blow his account but owe funds to the broker. If he had been trading a microlots he wouldn have been able told his position even with the gap overnight Additional he didn't appear to have a stop loss and did not understand that a market can gap overnight.

Tim should have undertook some sort of training course prior to trading. Additional he should have undertook research to identify that their is not only the spread but the cost of holding a position overnight and contract expiry dates.

I feel that reducing the leverage penalises individuals who understand the risks but do not meet the criteria to be classified as wholesale trader.

Let me know if any questions.

Thanks and regards

Kim

Leverage change

From: King Kuolava [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sat, 21 Sep 2019 18:14:37 +1000

I do not support the leverage change. Most traders would have to put a significant amount on a trade just to enter it.

I am currently in my second year of trading, it takes a while for most traders to become disciplined.

If the leverage is reduced it will force most retail traders to overseas brokers, in this case most will lose out from unregulated brokerage companies.

Once again I do not support this change.

Consultation paper 322 - Retail Client Response

From: Achilleas Konstantelakis [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sat, 28 Sep 2019 17:23:31 +1000

Dear all,

I'm writing in regards to the recent consultation paper with number 322 that was published in August.

As a retail investor, I would like to bring to your attention that the proposed changes will greatly affect my way of trading and probably will force me to look for alternatives outside Australia and ASIC.

The main reason is the maximum leverage changes. This unprecedented decrease in the leverage will substantially affect the amount of margin retail clients are required to deposit to trade CFDs or FX.

The market is looking forward to amending the changes regarding the maximum leverage.

Kind Regards,
Konstantelakis Achilleas
Retail Client of ICMarkets & FPMarkets (both ASIC regulated)

Feedback

From: kurt groot [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 11 Sep 2019 17:36:12 +1000

Sent from my iPhone

Feedback

From: leonid kopyssov [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 20:16:33 +1000

Hi,
Regarding new regulations, namely initial margin increase:

Basically, this is a very unwanted, heavy-handed, shock reform, which, just because someone has the power to do, doesn't mean will create economic opportunities for anyone.

I know, that CFD industry consists of different types of people, who participate in it

Some of them are intelligent, and are able to make consistent profits. Or, are in the process of gaining momentum, in achieving that, but are hindered by external factors.
For example, people who have a mild asperger syndrome, are routinely discriminated against in a corporate world. CFDs for them are a way to make a fortune.
And now, here comes the new regulation, increasing initial margins from 5% to 20%. This will make the process, of making a fortune, significantly more difficult. Still possible, but will take months or years longer to achieve.

That's like targeting a certain specific population group.

On a different note:
Apart from these people, who see CFDs as a way to make a living (and I am one of them), there is also a far larger group of people, doing CFDs. Those who do it by instinctive approach, similar to gambling, and end up losing money. They do it as an addictive habit.

This new regulation, increasing the initial margins on CFDs, will not stop them from losing money. They will just go to the casino, and continue doing it, and it's easier for them to lose the money there.

I hope this makes a clear point. This new regulation doesn't make things better for anyone.
I request, that whoever is proposing these changes, back down.

Looking forward to your reply.

Leo

This is going to kill my trading.

From: Leslie Dingo [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 17:01:04 +1000

Please do not drastically reduce margin requirements.

I'm all for cleaning up the industry and protecting dumb retailers.

But you don't have these stringent rules set of for borrowing a house or getting a car.. and neither should CFD market. They should be on par and fair with all the assessments from the broker before they allow a retailer to trade blindly. The leverage should stay as is, but the entry into getting an account should be hard and have a more stringent training via the broker. It is not the retailers fault it is the brokers that then also hedge the retailers trade because they know they will make the money on the oppposite side on the retailers trade. They know they will blown up and profit off it. Protect theses guys not the people that trade or aspire to trade via using CFD's with decent leverage.

Leslie Dingo
Equities Trader

Regulations

From: Lex Bouwman [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarketa.com.au
Date: Thu, 19 Sep 2019 17:07:36 +1000

Dear ASIC,

My forexbroker FPmarkets gave me the information that you've got an proposal for regulations. The as The ESMA did in Europe.

This regulations affect small retail traders. They can't trade anymore. You will push small retail traders to unregulated brokers with this regulations.

This regulations are for protection our money.
First of all it is my money. If i want to trade high risk and lose it. It is mine responsebillity not yours.
Second of all, because you give small retail traders no other options than go to an unregulated broker to trade with a small amount of money with the risk to lose their money before they can even trade is bigger. And if they make money they will have the risk they won't be pay out.

So, your arguments to protect us is not valid.

I hope this regulations won't go true. Otherwise i will take the risk to hop over to an unregulated broker becausr i have no choice. Or my regulated broker must change to an unregulated broker because i will still trust them. And i will stay with them.

Kind regards,

Lex.

Feedback

From: Lindsay Dylan [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 15:45:58 +1000

Your feedback

1. F1Q1 Do you agree with our proposal to make a market-wide product intervention order which imposes Conditions 1–8 (set out in Table 5) on the issue and distribution of CFDs to retail clients? If not, why not? If you disagree that CFDs have resulted in, and are likely in future to result in, significant detriment to retail clients, please provide evidence and data in support of your view.

I am an employee on 70K gross a year who trades CFDs with the aim of a financially independent retirement. I trade daily, and when there's a parcel profit (at times only 100 or even 50 dollars) I close that trade (increasing the account equity); however, I usually buy the trade back again when expecting further growth. Therefore, at most times a snapshot of my account will show a trading loss—and look as though I'm losing money. What it doesn't capture is that my account equity is growing and at times in the black. An increase in margin % will restrict my profitability with my money under terms that I do not agree with. Leave retail clients with significant experience or time in the market unrestricted by the intervention (in terms of margin increases). Have new traders on L and P plate restrictions till that experience or time in the market is achieved. Have restrictions which account for the prowess of retail clients and doesn't classify them into a homogenous class.

2. F1Q2 Condition 2 would require the terms of a CFD to provide that a CFD issuer must close out **one or more** of a retail client's open CFD positions, if the retail client's funds in their CFD trading account fall to less than 50% of their total initial margin required for all of their open CFD positions on that account. Do you agree with this condition or would it be better for clients (and operationally easier) if the CFD issuer is required to close **all** of the retail client's open CFD positions?

While I agree that an account below 50% of a retail client's total margins requires immediate attention, give the retail client the option of which CFD position to close (or alternatively inject funds) to lift the account above 50%. Naturally a responsive timeframe is required, might I say within 6 trading hours of the notice from the issuer. In practice this offers the client the ability to maintain their own account's viability and learn from the intervention without a financial detriment.

3. F1Q3 Condition 5 would require a CFD issuer to provide a prominent risk warning on account opening forms, trading platforms maintained by the CFD issuer, websites and the front page of PDSs. Do you agree with this condition? Do you think a risk warning should also be required on all advertising and marketing material?

Where perils are obviously inherent in a product, it is incumbent upon the seller to inform the buyer to maintain service integrity. So yes.

4. F1Q4 Do you agree with our proposal that the order would remain in force for a period of 18 months? If not, why not?

With regards to CFDs, I have no hesitation with the 18-month enforcement and review apart from Condition 1's increase in margins.

5. F1Q5 Do you agree that our proposed delayed commencement of the order is appropriate, balancing the time it will take to implement the order and the nature, likelihood and extent of the significant consumer detriment? If not, what is an appropriate period?

6. F1Q6 Do you agree with our identification of the effects that making the proposed product intervention order will have on competition in the financial system? If not, why not?

I’ve no doubt the financial system will adapt and grow despite these enforcements. It will be the autonomy of the non-professional (for they are given the same restrictions) mums and dads and individual’s efforts to be

financially independent that will suffer. Regulations to deter misleading or deceptive practi
ces by the financial sector is warranted. Restricting retail client’s ability to invest in those m
arkets (to protect them from risk) is like putting a driver on P plates for driving a defective
‘h
ire' car. The logic, while well intentioned, is misplaced.

Thanks for the opportunity to contribute.
Kind regards
Lindsay Dylan
Perth WA

Feedback

From: Lindsay [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Fri, 27 Sep 2019 08:06:29 +1000

Hello

In my opinion as an experienced currency and index trader (current broker Pepperstone who have been excellent) the ASIC focus on reducing leverage on various products/cfds is not the optimum place to intervene if the goal is to protect consumers from risk.

The optimum place to look is towards trading system and education vendors. This field is rife with fraudulent marketing and outrageous claims and many a learning trader is victim to this....if not most.

With leverage as it is, traders who know about position sizing and risk management can very flexibly size to keep risk within acceptable boundaries. If this sizing flexibility is lost, retail traders like me will have opportunity severely limited. Then once agin it will be the behaviours of the unprepared and uneducated that will catalyse changes that effect everyone, and disadvantage the many.

Please look towards unethical vendors...not limiting trading vehicles.

Sincerely

Lindsay French

CP 322 Feedback - From an Experienced Retail Trader

From: Lloyd David[redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 30 Sep 2019 22:05:30 +1000

Dear ASIC,
I write in response to the proposed changes to margin limits and retail/wholesale account structures across Australian CFD accounts. As a long term retail CFD trader, (more than 10 years) placing a number of trades per day over many different asset classes, including global indices, FX, commodities, and range of ASX equity CFD's, the proposed changes will disadvantage more established and experienced retail traders, having to find more than 10 times the margin (committed capital) to trade at the same level as current.
I agree with providing novice retail traders better protection against what is really excessive leverage, anything over 1:50 is too much. It takes a number of years in my view to become a successful trader, one having to experience multiple market 'cycles' in order to develop consistency and a strategy for success.
Please find following notes for consideration:

- Firstly, there are several classes of retail traders. Consideration must be given to more experienced, long term traders, who currently rely on trading as a form of income.
- Retail traders who have been trading for X number of years/trades per year, who have proven skills and experience should be included to be classified as wholesale or professional traders on that criteria alone.
- New Retail traders should be enrolled in a structured education program and be given a 'provisional' trading status (even more restricted than proposed) until proven to have the experience required to trade higher margin, higher volatility assets.

In response to the 5 main proposed points for regulatory intervention:

1. Maximum Leverage Rates – This should be staged based on experience, from a novice to more experienced. All retail traders are not novice.
2. Margin close out rule – at 50% of required equity then close out is more than adequate (most brokers will close out earlier than this currently from my experience)
3. Negative Balance Protection – Agreed (if broker is 'making' a market)
4. Real-time Disclosure of overnight funding costs – Agreed
5. Prohibition of Inducements – Agreed
6. Risk Warnings – Agreed
7. Transparent Pricing – Agreed

I would be happy to elaborate on any of the above, and request some provision is made to differentiate the experience levels of retail traders.
Regards,
Lloyd David
[redacted]

Fwd: ASIC Consultation Paper

From: louis [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 11:50:43 +1000
Attachments: Unnamed Attachment (68 bytes)

-------- Forwarded Message --------
Subject: ASIC Consultation Paper
Date: Wed, 18 Sep 2019 17:38:07 +1000
From: louis [redacted]
To: [redacted]
CC: CP322@fpmarkets.com.au

Deear Sir/Madam,

I have been trading cfd's for 18 years and have been a client of First Prudential for 14 years.

The service I receive far outways that which I received from earlier brokers.

I trade as a hobby and this is possible because FPMarkets allows me to trade at a minimum .1% per transaction and wave my Iress and Asx fees gven that I execute a certain number of trades.

In effect, I am a 'DAYTRADER'.

I am well aware of the risk in trading cfd's.19 years attest to this fact.

The prospect of increased margin fees will prevent me trading as I do and I will have to sever my ties with FPMarkets and will most likely have to take losses on some stocks I have been holding for a while.

In effect,I will have to cease trading.

Regards, Louis.

Feedback on Proposed Changes to CFD and Binary Options Trading

From: Teik Ee LOW [redacted]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 25 Sep 2019 15:55:31 +1000

Dear ASIC,

I know the intention of the proposed changes is to protect retail investors from suffering significant losses in CFD trading.

However the significant increase of the margin requirements may stop certain retail investors from CFD trading as higher capital is required.

For these retail investors wish to trade in CFD with small capital, they might switch to providers/brokers in other country which offers lower margin requirements.

This would have negative impacts to your local providers/brokers as less comparative advantage compare to others.

Margin requirements is a two-side knife. With a good risk management, lower margin requirement is benefit to retail investors.

Example, margin requirements to trade AUDUSD is 0.5% or USD340 per contract. If hit the 50% margin call and the position was forced close, retail investors are suffering losses of USD170 per contract.

By increasing the margin requirements to 5%, the margin call losses is as high as USD1700 per contract, the losses is 10 times higher by using the same example above.

In my opinion, by limiting the total contract size held by a retail investor could have better protection than increasing the margin requirements.

By using the same example above, investor X has a balance of USD3400 in trading account. With a limit of maximum total 3 lots of contract size can be held by investor X, current margin requirements to trade AUDUSD is USD1020 (USD340x3) and the 50% margin call losses is only USD510 (USD170x3), which is 3 times lower than USD1700. This measure has a better protection to retail investors.

Appreciated if you can take my feedbacks into consideration.

Thanks

Regards,
Low Teik Ee