

Feedback

From: Lucy Roberts [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 06:26:44 +1000

Hi ASIC,
Please do not implement these rules. I trade CFDs at my own risk, which were clearly presented to me when I signed up for my account. I do not want the maximum leverage of 20:1 for currency pairs to be implemented as this will severely affect my trading strategy.
Thank you
Lucy

RE: Important Notice - ASIC Consultation Paper 322 – Industry Changes

From: [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au, support@fpmarkets.com.au
Date: Mon, 23 Sep 2019 22:12:12 +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)

Dear Sirs,

As their retail customer, I was invited by FP Markets to provide feedback about the proposed changes ASIC is considered to implement, especially regarding the limitation to leverage to much more conservative levels, than the ones presently offered by the industry to their retail clients. I'm a retail trader operating in the markets since 2009. I'm an European which means that I am also subject to the recently implemented ESMA rules about leverage limitation. Allow me to briefly describe my experience as a trader under the ESMA rules, which I know to be representative of many traders in my situation.

Since ESMA implemented more conservative limits of leverage to the brokerage industry operating in Europe, this is what happened:

1. Many client traders flew from European brokers to brokers in other strongly regulated jurisdictions, still offering higher leverage levels. The Australian brokerage industry has surely gained a large amount European customers business since the ESMA rules were implemented, helping the industry to secure jobs in Australia country and stabilize the industry as whole in that country.
2. Other customers flew to the same brokerage firms offering services in off-shore, poorly regulated, jurisdictions. This was a "workaround" tactic from those brokerage firms to maintain their customer base, instead of seeing customers closing their business there and move to other regulated jurisdictions (in which these brokers would have to apply a high investment effort to offer operations there). In the end, these European customers, despite ESMA aim to reduce risk to retail customers, were no better off in terms of protection. In fact, one cannot expect the same degree of regulation protection in the UK against Seychelles or Vanuatu for instance. The only thing one can conclude is that what was intended by ESMA has backfired spectacularly, as retail customers are now left in a much worse position in terms of the risk they are exposed to (same higher leverage, but no effective regulation).
3. By 1) and 2) the European brokerage industry has seen a steep reduction of business. Reliable figures are hard to find, but ASIC, having a special role in this industry, can surely get access to such data. How do I know this ? This is how:
 - a) the number of commercial phone calls I get each day of European regulated brokers to get my business back, has increased drastically in the last years. Brokers are desperate to recover past clients and avoid business bleeding to brokers outside Europe.
 - b) the number of brokers that was placed under special administration has increased (a recent example: <https://www.fscs.org.uk/failed-firms/afx-markets/>)
 Also here, instead of providing extra risk protection to retail clients, the exactly opposite happened. In fact, in a special administration situation, customers see their funds at risk and without immediate access to them for a long period of time. This in turn creates stress in affected clients diverting energy from trading and trading risk mitigation to handle the process of funds recovery from a firm under special administration. Additionally, customers who eventually had cases opened at the Financial Ombudsman against firms under special administration (e.g. AFX in the UK) are being informed that the Ombudsman cannot assure any path for their cases moving forward as long as the FCA case is not fully unwound and solved. After that, one will see what happens....it's a mess.
4. In order to get access to the higher leverage, another layer of customers decided to apply for Professional status which allows them to maintain the leverage levels enjoyed before. In reality they are still retail customers because they trade small amounts and they are no real firms, but because they check two out of the three ESMA requirements to apply for Professional Client Status, they decide to do so to easily access higher leverage. The other side of the coin here, again, is that, with Professional Status, clients lose access to a number of protective layers that the regulation assures to the retail customers (and that were already in place before the ESMA rules, such as access to the Financial Services Compensation Scheme in the UK). Again, with ESMA rules and by this attempt to work around the imposed limitations, retail customers are left at a worse-off situation as compared with before.

Conclusion:

A large part of the retail market needs high leverage to operate properly. By administratively and drastically limiting the leverage available to retail customers, these will find other ways to meet their needs. In the end, they will be left at a much worse-off situation when compared with what they had before (points 1) to 4) above).

Additionally, Australia trading environment enjoys today a significant competitive advantage when compared with other regulated environments like Europe or the US. The Australian brokerage industry has benefited immensely from the errors made by other regulatory environments. By mimicking those errors, jobs and industry stability in Australia will also be at risk, again leaving retail customers who have funds at those firms at a higher risk position in terms of direct and immediate access to their funds if firms start to loose costumers to other jurisdictions and, by that, degrade their financial and business stability.

All these are real and significant unintended consequences with the opposite effects all around of what was initially aimed.

If ASIC feels the actual situation needs improvement in terms of Retail Client protection, it should not remove optionality by an administrative act without considering all the collateral effects and shock waves of such move. Here are some generic ideas ASIC can implement:

1. Instead of removing optionality, ASIC can force brokers to increase optionality, e.g. two business models: a) a business model with a maximum lower-leverage and higher protection perks in other areas like negative balance protection and b) the current business model.

Clients could then chose, being aware that by not choosing lower leverage they would be loosing other perks such as negative balance protection and vice-versa. There are many ways to implement such approach.

2. Assure a correct education and knowledge level, before allowing retail customers to access higher leverage operating modes. What the industry needs is that traders operate holding more and better knowledge about the risks they are exposed to and how to avoid them.

It's a dismay to accept with resignation that traders just don't hold (and will never hold) the necessary knowledge level and, because of that, the conditions in which they operate must be more made stricter administratively.

An idea can be to define a "educative + knowledge assessment" framework, equal or similar to all brokers across the industry in Australia, as a compulsive pre-requisite before traders can gain access to high leverage products. This educative and knowledge assessment framework, even if standardized – possibly under the ASIC's approval and supervision – should be wide, broad and demanding enough to assure a large variety of assessment tests/exams to really sieve the traders that are prepared to operate in more risky environments, such as the ones resulting from higher leverage. Brokers could be asked to provide a free (but standardized and ASIC approved) education+knowledge assessment service online (like a "trading boot camp") as a prerequisite to trade with higher leverage. The above ideas would contribute to an overall risk mitigation and increase of knowledge across the industry, allowing the retail client to maintain the optionality as assessed to fit the trader's requirements, without the unintended consequences of setting drastic reduction in leverage limits by a pure administrative act, that in the end would backfire against what was the aim of ASIC in the first place.

Please note: some days ago I got an email from an ASIC regulated entity (not FPMarkets) informing me that they had moved my account to Vanuatu even without my consent, as a direct result of the ASIC intention to establish drastic reductions in leverage available to me as a retail customers.

I truly hope ASIC can think all this through recognizing the full spectrum of consequences of the proposed measures, revert and opt for a much more broad and comprehensive rich view of the real problems and needs of the industry participants.

Thanks for your attention and giving me the opportunity to express my view.

Best Regards,

Luís Oliveira (a customer from Portugal or several ASIC resregulated entities).

From: FP Markets Team <support@fpmarkets.com.au>

Sent: September 18, 2019 1:33 AM

To: [REDACTED]

Subject: Important Notice - ASIC Consultation Paper 322 – Industry Changes



[Contact Us](#)

Dear Client,

IMPORTANT - Potential Regulatory Changes affecting you, the trader

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

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

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

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

As such, if you have a view on this, we urge you to provide your feedback to the following email address: Market.Supervision.OTC@asic.gov.au We are interested in your feedback so we would appreciate copying in FP Markets at CP322@fpmarkets.com.au

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

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

The full consultation is available [here](#) but please find below a brief summary of the proposed changes which ASIC are proposing will be introduced for retail clients:

1. Maximum leverage rates

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

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

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



2. Margin close-out

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

3. Negative balance protection

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

4. Real-time disclosure of overnight funding costs

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

5. Prohibition on inducements

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

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

6. Risk warnings

Risk warnings will feature more prominently to all retail clients and prospective retail clients on

any form of documentation, PDSs, trading platforms advertising and websites.

These risk warnings will include:

- The complexity of the Products and likelihood of losses
- The Percentage of clients that have lost money in a 12-month period

7. Transparent pricing and execution

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

The CFD pricing methodology must explain how we determine our prices, and the CFD execution policy must explain how we address our clients' intention to trade and the effects thereof.

How to Respond to ASIC

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

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

Kind regards,
FP Markets Team

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

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

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

This email was sent to luis.oliveira@hsegt.pt. If you no longer wish to receive these emails you may [unsubscribe](#) at any time.

Feedback

From: Luke Faulkner [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Mon, 02 Sep 2019 14:39:59 +1000

Your new proposed margin limits will severely impact my quality of life. Utilizing the leverage currently available gives me good returns without having to put up a huge amount of capital to begin with. Rather than imposing new leverage laws why not put a increased focus on brokers to educate retail traders on risk management which is the reason why people lose money. If people were not so greedy and utilized proper margin management then they would not be risking more than 1-2% per trade. If you limit your risk you essentially have to lose 50-100 trades in a row to blow an account

Why penalize the people who are successful for the greed of others? I have seen it time and time again people risking between 10% - 50% on a single trade. Education is the answer here not new laws which limits responsible traders.

You will drive up unemployment rates by forcing successful traders to look for full time work which isn't readily available in their fields that they are specialized in (most financial trading companies are based in Sydney and Melbourne but traders are in every city / town in the country)

Personally for me in will drive me out of the country to somewhere that does not have strict leverage limiting laws.

--
Luke Faulkner

Feedback

From: Luke Faulkner [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 13 Sep 2019 17:01:00 +1000

Your answer to the excessive loss of money lost by Australian retail traders is misguided at best. What are the number on the flip side of your argument? How much was won my Australian retail traders?

Why punish the people that have taken the time to learn how to manage risk for the sake of the greedy? If people had done their due diligence on how to protect themselves and their capital then the likelihood of them loosing excessive amount would be hugely diminished. Your essentially targeting the winners by kneecapping them due to the hopeful get rich quick type schemers trading and hoping.

Brokers have a disclaimer when you make up accounts that losses may have exceed deposits, why not make them more accountable and ensure that everyone that makes up an account is put through a "Risk Management" course or make them sit through a course about the fundamentals of trading before they can officially open an account with a broker. If they were educated on the potential risks then in the very least they would be prepared for what may potentially happen.

Honestly I feel that limiting leverage is not the correct way to go here as even with lower leverage people will still lose more than they bargain for because they don't know how it all works, the potential for losses, or anything about risk. Education of the masses is what will fix the issue here.

I'm not that great at trading yet but have been at it for 2 years and I have lost any more than \$200 in a single trade, my account isn't huge, around \$10k but since I can manage risk I'm still here and still moving forward towards my dream of being a successful trader.

Just to reiterate If you limit leverage you won't fix the problem.

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Consultation Paper 322

From: Mackie Brown [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 20 Sep 2019 22:18:06 +1000

To whom this may concern,

I am forwarding my strong disagreement with your latest proposal outlining leverage restrictions to the Australian retail trading market.

This is a blatant attempt to create inequality in the Australian Society by reducing the rights and opportunities for those who trade with small account sizes such as myself.

The 500:1 Leverage i currently use for trading the Spot Forex market is fundamental to the business model and insist that it must not be further restricted and you will ruin the buisness model of trading a small account as a retail trader in Australia.

In effect, ASIC alone will be directly ruining a the buisness model of an entire industry, and thus unjustly ruining the professions and income Streams of Australians such as myself who have world long an hard to develop their buisness around the current marketplace regulations.

Further restricting the Retail market will just force traders in to trading with Higher Risk non regulated brokers, in effect creating much undue hardship among the retail industry.

I have been building my trading buisness for approximately 3 years now, and your enforce these tighter regulations. The buisness model and my personal income source will be critically affected.

I will have no option other to proceed with higher risk ventures and/or express my concerns on inequality to Media sources.

I hope you make the right decision by the Australian public on this matter and revoke the current proposal.

Regards,
Mackie Brown

[REDACTED]

Feedback

From: Mahipal Singh [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Thu, 12 Sep 2019 01:40:06 +1000

No, current leverage is better. I don't recommend these changes in Fx atleast.

ASIC consultation paper 322

From: mamuka gogatadze [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sat, 28 Sep 2019 01:47:14 +1000

Hi,
Small leverigs and 50% stop out to margin, i think no can defense traders deposits, only stop outs to deposit, for example 5%, 7% or 10% can stop meightly, no right trades and open positions, give to trader time and really shans, for thinking or understanding.
Okay, for example, trader whooo have 10 000\$ deposit and open one lot position from 1-30, in margin have a near the 3000\$, if this trader looking to this no right open position very long time and stops from 50% stop out to margin, finaliy see on the deposit only 1500\$ and this is a absolutly fatall to this busines. Resiume; small leverig and any stop out to margin, really no can defence deposit!
Only from platform, automatically calculated stop out 5%-10% to deposit, can stop this fatall loss!
Best Regards,
Mamuka Gogatadze

Melbourne Forex Trading Team (MFTT)

30 Sep 2019

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

Response to Consultation Paper 322
Product intervention: OTC binary options and CFD's

Dear Sir/Madam

The Melbourne Forex Trading Team is a self-managed group of experienced traders who trade Forex and other derivative instruments using retail brokers and their offered trading platforms. We freely share our research and other supporting information amongst our members. We are also affiliated with the Melbourne Forex Meetup group which has around 1300 members. We would all be significantly and negatively impacted by many of these proposed ASIC changes.

The time allowed from the issue of ASIC's consultation document (22 August 2019) to the submission closing date has not provided us with sufficient time to either fully evaluate the proposal or to obtain additional information to support some of our contentions.

While we support initiatives to improve retail trading conditions, we strongly oppose reducing the maximum leverage allowed particularly for Forex trading.

We believe that these proposals, particularly in respect to changes in maximum leverage, do not properly or adequately address the underlying problem of inexperienced and/or vulnerable people becoming involved in these complex markets and then losing significant amounts of money.

Furthermore, given the unique and unusual situation that currently exists in Australia, we believe there is a high probability that changes to maximum leverage in accord with ASIC proposals will have a devastating financial impact on this entire sector of the financial services industry,

Please find attached Our Response to ASIC's proposed changes to OTC binary options and CFD's. This attachment includes a summary of comments and feedback from a number of our members.

If we can help by providing any further input, please feel free to contact us.

Yours faithfully,



Manpreet Singh Secretary (MFTT)



Melbourne Forex Trading Team (MFTT)

30 Sep 2019

Attachment to our submission

The following is a summary of responses from some of our members in regards to ASIC's proposed changes to OTC binary options and CFD's. As far as possible we have summarised and arranged these into categories under specific headings.

Confusing and misleading references to the terms CFD and Forex...

- The ASIC discussion paper is confusing and misleading in its incorrect or at least uncommon usage of the terms CFD and Forex. CFD and Forex trading are very similar. The main differences between CFD and Forex trading is that CFD trading involves specific individual instruments whereas Forex is about trading one currency pair against another. Simply lumping the two together and assigning a low maximum leverage of 20:1 for all seems quite inappropriate.

The statement that CFDs have an inherent risk of significant losses due to high leverage is incorrect...

- The ASIC consultation paper 322 raises many issues and questions and makes a number of claims that we disagree with. In particular we assert that the statement ***trading CFDs has an inherent risk of significant losses due to the product's high leverage ratios***, is incorrect. We dispute the claims that these losses are a direct result of high leverage ratios or that the problems being experienced can be fixed or improved by enforcing low leverage on all retail clients. Further comments in this attachment points out where we believe the real problems lie. We also suggest some possible and what we believe to be more appropriate solutions to solving them.

Low leverage can entail high risk...

- It is quite easy to set up a very high risk trade with very low leverage. A moderate position size with no stop loss readily achieves this. If this position then makes a substantial move against the trader, which seems to happen quite frequently in the real world of Forex trading, it is possible to devastate an entire account with just one single high risk, low leverage trade. This is particularly true if we also take into account the psychological impulse to ***"hold on and hope"***. This problem is very likely to affect an inexperienced trader who gets themselves into this position. Note that this has nothing whatsoever to do with leverage. Leverage tends to get blamed for all sorts of problems when traders don't understand how things work, don't know what they are doing or lack the psychological maturity to engage in ***any*** financial markets.

Changes in leverage will impact responsible, experienced traders...

The following example of a normal, conservative "bread and butter" trade illustrates the dramatic negative impact that the proposed reduced leverage will have on the activities of responsible experienced traders who make trades like this every day.

- Assume an account of \$10,000
- A single Forex trade on EURUSD
- Risk of 2% of capital i.e. \$200 on this trade
- Profit target 10 pips
- Reward risk of 1:1 i.e. a stop loss of 10 pips
- An experienced trader would be hoping to win somewhere between 60% and 70% of these trades over a period of time.
- The duration of a trade like this depends on market volatility but it could typically be expected to last for several hours.

With normal 100:1 leverage this trade will require a margin of approximately \$1100 or 11% of capital which would be considered quite safe under these conditions. The overall risk of this trade would be considered modest.

With leverage reduced to 20:1 the margin required increases to around \$5500 or 55%. No experienced trader would normally consider opening a position with a margin ratio this high. In any case the position would be disallowed or immediately closed out by the new proposed 50% close out rule.

If we envisage one trade a day using the above configuration and a 60% win rate we could expect a net annual profit after transaction costs of around \$2500 or 25% of capital. Most profitable traders would struggle to achieve this level of profitability on a long term basis. In our experience a very small number would exceed this amount as they push towards a 70% win rate but in practice it is extremely difficult to achieve levels like this consistently due to the inherent nature of the markets. Other trade configurations to the one shown are of course possible but the results will always be much the same, again due to the inherent nature of the markets.

A return on investment (ROI) of 25% per annum is good but it is a far cry from the vast fortunes that many people claim to be possible through the use of high leverage. If higher profits than this are achieved it is through higher risk which is not the same as high leverage. Leverage is a means that can and should be used to control and accurately manage risk. Its correct use requires knowledge and experience. Reducing the maximum allowed leverage simply takes away an important and valuable tool that experienced traders use to manage risk.

With the proposed changes to leverage, profits at the previously described risk level are no longer possible. The only options that a trader would have would be to reduce position size, increase capital or take higher risks. Profitability as a percentage of capital employed for a given level of risk decreases proportionately with lower leverage.

While it is somewhat simplistic to say that potential profits are proportional to leverage, as a rule of thumb it is a reasonable contention. In the above example, reducing the leverage to 20:1 and maintaining the same levels of risk would reduce the net annual ROI to approximately 5.0%.

Considering the significant amount of work involved in this type of trading it becomes much less attractive and for many not worth the effort.

This typical scenario has demonstrated how **reducing leverage can actually increase risk** if a trader attempts to make reasonable profits from a low leveraged trade with insufficient margin.

Attempting to trade profitably with inadequate leverage can easily result in bad trading practices.

Very important data about winners and losers has been misrepresented.

- The ASIC discussion paper states that in 2017, 63% of clients trading Forex through Australian brokers lost money. This implies that 37% were profitable. This piece of pseudo statistical information is potentially misleading and cannot of itself be tendered as valid evidence to support ASIC's proposals. What is required is a proper analysis of this very important data including time periods, conditions, distributions by categories etc. Then and only then is it reasonable to attempt to draw conclusions from it.

Problem of highly misleading information...

- One of the very big problems in financial markets is the lack of accurate data and the abundance of wildly incorrect and highly misleading information. The overall effect of this is that a number of inaccurate and polarised beliefs have evolved about financial markets, Over time these myths become firmly established as a part of "trading folklore" and have pervasive influence on peoples behaviour.
- One important example of a common prevailing myth is the one that claims that a handful of traders know the "***magic formula***" and with this knowledge are able to make huge profits trading Forex or other derivative markets using only small amounts of capital and very high leverage. It then follows that if a person is able to discover this formula they will be able to do likewise. The search for this formula is sometimes referred to as a search for the "***holy grail***". Many people put a considerable amount of time money and effort into searching for this magic formula only to learn through bitter experience and often at great expense that no such thing actually exists.
- At the other extreme there are claims, particularly by academics who study financial markets and consider themselves experts, that it is totally impossible for retail traders to make ***any*** profit over a long period of time trading leveraged markets like Forex. This claim is usually based on a long discredited but still often taught theory known as the ***efficient market hypothesis*** together with invalid use of statistical methods. There was recently a TV program aired by the Australian Broadcasting Commission claiming that many people are being scammed out of substantial amounts of money by some Forex brokers. In the same show the erroneous views of a high profile Australian academic was also touted along with a call for a total ban on Forex trading in Australia. This academic also claims to be consultant to the Australian government. The inadvertent spreading of false information like this by the public broadcaster, supported by so called experts, simply adds to the collection of false information and confusion. It can make it extremely difficult for anyone who is contemplating getting involved in these markets to discover what is really true. It also creates an environment where gullible people, confused by the conflicting rhetoric, are more likely to fall prey to dishonest or overly aggressive promoters.

- Incidentally there is a “magic formula” for creating significant wealth. Albert Einstein is reported as describing it as the eighth wonder of the world. It is called **compounding**. It requires replacing the psychological impulse for short term gratification with longer term planning and management. It is a message that needs to be touted more often.

A simple, easy and economical solution...

- If true and accurate information was disseminated by a reputable and reliable industry source such as ASIC it would eventually become public knowledge. It would provide a valuable resource for retail traders and investors in all financial markets not just in Australia but globally. This sort of information is extremely difficult to find and is not readily available because no one has a vested interest in disseminating it.
- ASIC obviously has access to raw data from Australian brokers. It could easily and inexpensively go a long way towards breaking down many of the false beliefs that abound simply by making detailed intelligent summaries of this data readily available to the public.
- We think that this action could have a significant affect in moderating the beliefs and behaviour of people who are tempted to get involved in these relatively complex markets without adequate knowledge or experience. It would go a long way to clearing the mine field of all the lies and misinformation that abound. ***If ASIC is serious about protecting the financial interests of retail traders and investors, this should be a first and high priority consideration.***
- In our opinion, simply displaying the ratio of winning to losing trades or traders on a terminal or providing it somewhere else, as is currently being considered, is totally inadequate and pointless. The misuse of statistical information in this way should be strongly discouraged, and certainly not legislated as compulsory.

Training and testing...

- Giving an inexperienced person access to a fully funded online trading platform is a recipe for potential disaster. One possible solution is mandatory training.
- Some brokers already have a vetting system consisting of a series of questions when you sign up for a new account. It is generally superficial and seems to be of little value other than for the broker to have evidence on record that the client claims to have experience.
- With no more than a little effort, this type of testing could easily be expanded to ensure that a person really does have a rudimentary knowledge and understanding of what they are embarking on. Even if a potential client doing this test cheats by obtaining the answers from other sources, they are at least forced to consider the issues, questions and correct answers just by going through the process of completing the test.
- Another very useful training tool is a demo account. While there is a significant psychological difference between trading with real and virtual money, the actual mechanics of trading is

near enough to identical. Demo accounts are normally free and have no obligations attached but they typically expire after 30 or in some cases 15 days. Brokers then often use this expiry occasion as a means to try and pressure potential clients into opening a funded account. A better approach would be to require brokers to provide free demo accounts that only expire after they have not been used for say 90 days. If the demo client lost all the virtual money in the account or incurred a margin call they could be required to go through a process to prove they understood their mistake and what they should do to prevent it happening in the future.

- Demo accounts can also be successfully used for repetition training. For example a prospective client could be required to execute a certain number of trades per week on a demo account for a period of several weeks. Note that such a test should not be judged by wins or losses but by competent execution which of itself should keep any losses contained. We have successfully implemented training schemes like this with our own members.
- There are various other ways that competence could be established to entitle a client to open a fully funded account with normal leverage. For example, providing certified trading records from accounts with other brokers.
- The easiest way to limit a clients potential losses is to limit the amount of money used to fund an account together with the provision of negative balance protection. A simple fund limiting scheme like this could be applied to all new and inexperienced clients.
- While the mechanics of trading can be taught fairly quickly, the psychological development that also often needs to take place can take considerably longer. This situation is understandably at odds with the brokers interest in getting clients to fund their accounts as soon as possible and with as much money as possible. Regulations that make it illegal for a broker or their representative to pressure or induce clients into prematurely trading with large funded accounts could be of value.

Financial Impact of Proposed changes...

- The client demographic data provided by ASIC shows that only 17% of retail Forex/CFD clients are based in Australia and that the majority are based in Asia. Again, the way in which this statistical information is presented is woefully inadequate. Taking it at its face value however suggests that the ASIC proposal, if implemented, will probably destroy or at least significantly diminish the entire retail derivative financial sector in Australia.
- The reason why offshore traders would open accounts in Australia is because it is the nearest regulated market that also offers reasonable leverage. If this level of leverage is no longer available it will impact potential profits. It then seems reasonable to assume that many, if not most of these overseas clients, will simply move their accounts to other brokers in less restrictive countries as will many or most active Australian traders. The small percentage of Australian retail clients remaining, who are presumably the ones whom ASIC is attempting to protect, will then not be sufficient to sustain this section of the industry.
- The maximum leverage for Forex in both the USA and Singapore, which are now both heavily regulated countries, has been set at 50:1. The proposed leverage of 20:1 for Forex in Australia would be one of the lowest in the world.

- Results of the implementation of similar reforms in the US, UK and Europe are not at all encouraging. Using these results to predict the likely outcomes of similar reforms in Australia is invalid because of what appears to be substantially different demographics.

Negative Balance Protection ...

- We support this proposal. It shouldn't cause much of a problem to brokers if they are operating their businesses in a competent and prudent manner.

Margin close - out protection ...

- While it is normally considered prudent to close out position(s) if the margin falls to 50% or less, we believe that this should be at the discretion of the trader. Forced closure could work to the financial detriment of a trader. Perhaps a warning should be a mandatory requirement.

Commissions paid to referrers etc...

- We would like to see the statistical information that provides evidence that commissions paid to referrers results in inexperienced people being encouraged to trade without adequate knowledge or experience. It is entirely possible that the opposite is true and that an experienced referrer, who has a vested interest in the referee being successful, could have a positive moderating influence. In any case could we please see the research rather than what appears to be proposed reforms based on unsubstantiated claims.

Binary options ...

- To the best of our knowledge none of our members trade binary options. We do not consider them a particularly useful trading vehicle and therefore are unable to offer any comment on the proposal to ban them entirely.

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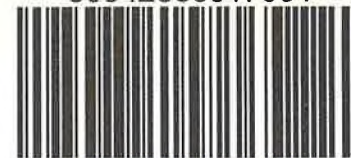
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Feedback

From: [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Wed, 25 Sep 2019 21:04:19 +1000

Any ASIC proposed changes should not apply to any existing (open) trading positions as the increase in margin requirements would force consumers to sell out of their open positions, possibly at a loss.

This would be counter to the objectives of the ASIC review, which are to protect the consumer.

Would not be good if ASIC's recommended changes are the cause rather than prevention of detriment to retail clients.

Regards,

Margin Trader.

FW: Your Proposed Changes to FXCM Trading

From: Marisa Nelving [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Sun, 22 Sep 2019 16:40:03 +1000

From: Marisa Nelving [REDACTED]
Sent: Wednesday, September 18, 2019 10:15 AM
To: 'Market.Supervision.OTC@asic.com.au' <Market.Supervision.OTC@asic.com.au>
Subject: Your Proposed Changes to FXCM Trading

To
OTC Intermediary Compliance
Market Supervision
Australian Securities and investment commission
Your proposal to automatic Close out is unfair, I made an investment for a period of 12 months, and a more time schedule to implement the automatic close out should be at least 6 months for me to receive my benefits.
The Leverage at 20-1 is quite low and more realistic amount should be 40-50 to 1 would be appreciated.
Thankyou Marisa.

Feedback

From: Mark jayasuriya [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 21:00:39 +1000

Hi

I would like to provide feedback that 1:20 leverage is too aggressive and it should be 1:200 or 1:100 leverage

This effects me as a currency trader because I trade multiple trades per day and I have a fairly small account of \$10,000

I am planning to trade to supplement my income, however 1:20 leverage will effect my trading strategy and reduce my potential to earn an income

Thanks

Mark

Sent from [Mail](#) for Windows 10

Feedback

From: Mark Simmonds [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 18:34:13 +1000

Hi ASIC,

I wanted just to give my feedback on the proposed new leverages of 20:1 on currency pairs and gold CFD. My feedback is that this is much too restrictive for currencies that do not move substantially in percentage terms and takes away my opportunity to make any real money on the market, and hence it looks like my hobby will come to an end.

--

Cheers, Mark.

Leverage changes

From: Martijn van Hoepen [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>, cp322@fpmarkets.com.au
Date: Wed, 18 Sep 2019 18:20:55 +1000

Dear FP markets / ASIC,

Today I got a email with the information about the possible changes in leverage. I hereby would like to inform you that if this happens I will look for another broker. These small leverages are not interesting to trade.

Kind regards,

Martijn

Feedback

From: Martin Piskula [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Wed, 25 Sep 2019 14:44:01 +1000

Hello,
Those changes will impact my family in huge way as we are unable to close our positions at this moment. We can survive even if the AUD/USD Drop below 0.6000 but if margin goes up from 0.5% to 5% we will loose everything.

Thank you

Kind Regards

Martin Piskula
[REDACTED]

ASIC Consultation Paper

From: Martin Wolf [REDACTED] >
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Thu, 19 Sep 2019 21:34:00 +1000

Dear Sir or Madam,

i am trading now since four month in this time i have traded 130 lots with australian brokers. The trading conditions are compared with german brokers excellent: fast executions, high leverage, fair prices and high level of security. With this great conditions i have made some very good results and i am happy to trade in Australia.

For most traders australian brokers are one of the top of the world. But with the high restrictions planned by ASIC this all could be destroyed. In Europe you can see that traders changing to off-shore brokers. In conclusion to ESMA regulations you can see that trading is not safer or better now it is definitely less than ever before. A result is that EU brokers customer numbers are highly decreasing and therefore revenues from brokers shrinking. This also means less taxes for the country.

It would be a real lose-lose-lose situation for everybody.
ASIC should really think carefully what they are planning to do.

Regards
Martin Wolf

To the Hon Andrew Lamming MP.

25th August 2019

Questions for ASIC in regards to its CP322 proposal.

Is ASIC's role to regulate a market to ensure it is FAIR, EFFICIENT, AND TRANSPARENT, with fair meaning uniform treatment of all clients (not morally fair) whether they are profitable or losing, or is it to regulate the public's behaviour, meaning a retail client's choice to use these markets? I believe it is to regulate the markets. Then why are they not examining broker behaviour contrary to their claim by Clarissa Aldridge (ASIC executive leader of market supervision) : "we are primarily targeting the attributes of the product – leverage and margin exposure – rather than any poor conduct, such as pressure sales."

Does ASIC support the Standard Form Contracts for the disclosure used by Financial Services Providers whereby a Provider can limit and suspend a client arbitrarily, allowing them (FSP) to exploit a conflict of interest by suspending profitable clients?

From a leading FSP (IG Markets) for example:

IG Markets 2017 Client Agreement 26 Miscellaneous

"(1) We reserve the right to Suspend your account at any time. If we Suspend your account, it means that: you will generally not be permitted to open any new Transactions or increase your exposure under your existing Transactions, but you will be permitted to close, part close or reduce your exposure to us under your existing Transactions; you will no longer be permitted to trade with us via our Electronic Trading Service, rather you will be required to trade with us via the phone....."

Is there a way for these markets to be self-regulated? Meaning to ensure these FSP's who act as Principal don't just keep losing clients and suspend profitable clients whose profitability (and therefore FSP's reduced profits or losses) would force the FSP's to change their business model to create a fair market.

Have you ever traded a binary option? Do you understand that binary options are one of the safest and fairest forms of trading? The risk is known and paid up front, so there can be no margin call. There is no leverage. And the result cannot be manipulated by the FSP – it is decided upon by an external event (the official exchange price) – assuming a legitimate provider (such as IG). So the binary provider cannot (easily) manipulate the result to suit their exposure (assuming they pay out too).

There could be an argument for a zero sum consideration as the modelling in the ASIC CP322 proposal and that used by the EMSA focuses on 1-day or longer buy and hold type investing. Wouldn't this imply that as many clients that are being margin-called **are also experiencing a gain in their investment value of the exact same amount as the losses from margin-calls. The suggested restrictions would therefore deny profits to these clients?** (the data is showing a relatively uniform

outcome for long and short positions which supports this claim of zero sum). **If this is not true, then would it be fair to say that this analysis in no way addresses the real question, which is why do a majority of traders fail, regardless of their leverage.**

Would it be therefore furthermore true to say the only conclusion one could make from the data is the obvious – higher leverage makes one more sensitive to the long term average volatility of an asset price? The conclusions one could draw from that are also obvious – that the overall account closure would happen more quickly with a higher leverage **but that assumes that there is a fixed cause for these losses INDEPENDENT of LEVERAGE.** Therefore, as previously stated, **low leverage in no way solves the problem as to why the majority of traders ultimately fail** (regardless how long this may take).

Why not have a designated “Day trader” account which is allowed use higher leverage, as the data suggests intraday is “safer” as per the modelling’s assumptions.

Are there statistics on how much money is lost by non-retail clients, to put the figure ASIC loves to influence people with their “concern for harm” argument of “Derivative losses of \$2bln” into context?

How are the conclusions of Figure 7-9 in the CP322 proposal different for non-retail clients? The modelling assumptions imply that it should be the same for whoever is trading, as it is based on the asset volatility. If modelling assumptions used for non-retail clients are different (which I would assume they are) then the argument isn’t a general argument about leverage and CFD’s.

Is true the entire modelling used to form the conclusions of the CP322 could be questioned along the following lines?:

- There is a difference between the behaviour of an index and the corresponding derivative.
- Using the opening price in the model’s assumption is a bias for the results.
- It treats the use of the leverage as if it is being used as a stand-alone investment (by the assumptions) rather than a hedging tool or a “derivative”.
- It is biased by ranging markets rather than trending markets, ranging is more likely over 10 years.

Then the particular model is limited in its ability to conclude “in general” what it has concluded, but rather only highlights the particular trading strategy used (the model’s assumptions) isn’t optimal.

Why is ASIC trying to Socialise one of the purest forms of Capitalism? Especially when the demand is there as your statistics show (interestingly corresponding to record low interest rates).

Submission regarding proposed CDF retail client restrictions

From: Matt Godwin [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 29 Aug 2019 20:34:15 +1000

Hello,

This email is a comment on ASIC's proposed changes to the provision of CFD products to retail clients. I am classed as a retail client and have been trading CFD's for approximately 10 years.

- It is unclear why retail clients would be subject to the proposed changes and not wholesale clients. The underlying dynamics of trading CFD's do not change based on account size and the percentage of account loss or gain is unaffected. This appears to be another case of the financial industry (the regulator in this instance) ringfencing the privilege of established wealth
- The commissions charged on trading CFD's are much greater than Futures, therefore restricting the ability of retail clients to access the leverage provided by the existing CFD regulations would have a proportionally much greater impact on gross returns than managing trade positions using Futures or as a wholesale Client
- The proposed changes dramatically alter the existing margin requirements to the extent that they affect established trading systems. There is no provision to manage this for established traders.
- Existing controls in place by Tier 1 established and regulated and CFD trading platforms already implement margin call close out procedures.
- The possibility of losses exceeding account size are well publicised on CFD trading positions. Regulators should not limit the ability of retail clients to trade in a similar environment to wholesale clients because some people do not take responsibility for their own actions and blame the CFD trading platform and/or ASIC for adverse results

Regards,
Matt Godwin

Feedback

From: Matthew Collins [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Tue, 03 Sep 2019 14:03:07 +1000

We do not need ASIC to change the rules on CFD trading. Anyone who is trading fully understands it, this is not housing it's not across the board and everyone is doing it or required to like a house.

Changing the rules will just mean the Australian economy loses out as people will just trade off shore with another broker.

Trading on margin is fine and has been happening since the creation of Wall st.

Look at the fact you are allowing people to buy a house that's hugely leveraged and if they can't pay it back turfs them out on the street, stocks aren't like this.

Please stay out of it. It is not wanted.

Regards

Matthew Collins

Sent from my iPhone

Submission to Consultation Paper 322

ASIC Market Intervention Powers: OTC binary options and CFDs (Aug 2019)

25 September 2019

1. I write in response to the call for submissions for comment on ASIC's Market Intervention powers in relation to CFDS, Binary Options and CFDs. I have traded derivatives including futures, options, binaries, CFDs and foreign exchange since the mid-1980s and consider myself to be an experienced trader.
2. In its review of the Over-the-Counter derivative industry ASIC has taken an unusual stance saying that a product that has been around for 17 years (in the case of CFDs), all of a sudden, needs to be severely curtailed using its newly minted emergency intervention powers. In my view this an abuse of ASICs powers and fails to address areas of the industry that may need attention.
3. At its heart, this is an issue about people making informed decisions and whether the information and prices that traders are provided with is accurate, relevant and extensive enough.
4. ASIC though does not appear to be saying or addressing this at all. Rather ASIC is saying that cumulative losses in the industry are, in its opinion, "too high" and therefore it must 'intervene' to protect investors.
5. Further ASIC is using general numbers collected from provider surveys and questionnaires to make assumptions about people's level of capital available for trading and or/investment.
6. ASIC has zero insight into my personal trading habits or my level of wealth or the level of risk capital that I have to deal with or what I choose to spend my money on.
7. ASIC presumes it knows what risk capital thousands of other traders have or are prepared to risk. It's frankly an absurd position to take. I might have an account with a CFD provider that has \$10,000 in it but this bears no relation whatsoever to my net worth or the level of risk capital that I have. I may choose to only have a nominal amount of risk capital in my trading account. I see it as none of ASICs business.
8. ASIC wants to shut down binary options altogether. I object in the strongest possible terms. Binary options provide a simple win/loss equation where my entire risk is known upfront as is the payoff. Binaries are a simple product and have no unlimited exposure. ASICs position on binaries is simplistic and in my view wrong. ASIC puts forward the proposition that Binary options are not "investing" and are more akin to gambling. Aside from being an irrelevant comparison it is not ASICs position to make such qualitative judgements.
9. ASIC is going well beyond its remit as a regulator and instead should do its main job and ensure FX and CFD providers are providing accurate information, fair pricing and fair trading policies. It should ensure that provider websites are accurate, comprehensive and easily accessible.
10. ASIC should not be interfering or imposing on my rights to trade as I see fit. Nor should ASIC be involving itself in how much money I make or lose. It is none of ASIC's business.

11. I note that ASIC makes no reference at all to other market products such as ASX listed options, warrants or futures where heavy profits and losses can be generated. Why are ASIC ignoring this? There is no discernible difference between the risks available. Is there an agenda that ASIC is pursuing?
12. I note from ASICs report that around 83% of client accounts are based outside of Australia. Why is ASIC making judgement on how those investors/traders can trade? This is not within the remit of ASIC that should only be concerned with Australian traders. An AFSL is not even needed to deal financial products with international clients so conceivably a business might be set up to deal with international clients that bypasses ASIC.
13. The derivative industry has provided Australia with thousands of jobs, revenue and product innovation. It should be applauded for this. That is not say it is beyond scrutiny. But ASICs role is very clear and in my view ASIC is going well beyond its remit looking at risks and losses of traders. It should be purely concerned with businesses complying with the law.
14. I am against ASIC reducing the leverage in these OTC products and banning certain products on the basis of client losses. Leverage per se is not the issue and ASIC needs to focus on education and ensuring providers are operating according to the law.

Matt Wilson



Feedback

From: Max Dawson [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 26 Sep 2019 13:30:48 +1000

Dear Sir,

My wife and I have been investors with IG , for over 9 years now, in share CFD's.

We have been advised of your consideration of proposals to change the way that Investors will deal with CFD's.

We are small operators and will find that the changes will severely limit the number and breadth of positions that we may take.

The main concern is that a margin of 20% will be required in each investment case. This will severally hamper the number

of positions held at the one time due to limited capital. Our return on investment will be reduced. The smaller investor will not be able to spread risk across the markets.

We feel that ASIC should reconsider the 20% requirement and instead introduce sliding scale based upon the amount of funds held for this type of investment.

Should the proposal be introduced, we will need a phase in period to adapt to the new rules.

Regards

Max Dawson

Feedback

From: Max Roman [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Tue, 03 Sep 2019 17:09:06 +1000

To Whom It May Concern

I have recently been made aware of your proposal to change how CFDs are traded in Australia.

I currently have a few positions open which may be impacted by your new regulations and from my understanding, may force the closure of my open positions at a price which will not be at a fair price or at a time when the market has been massively impacted by an insane President of the United States.

In other words, if you decide to change the rules at such short notice and without grandfathering those who have entered a trade with a current market requirement, then you will be forcing many people to close out their positions at a loss of millions of dollars.

Is this a prudent and fair way to destroy the investments of so many people who are giving it a go and doing something over and above their normal job to get ahead, which in turn will put less pressure on the Australian Government when they come to retirement by not relying on the pension?

So my feedback to you is to allow all current open positions to be grandfathered and the margin requirements to remain as they are today, be it 5% or 10% and not pushed up to 25%. This will then allow anyone who currently has an open position to get out at the most appropriate time.

I'm all for CFDs and Binary Options to be completely eliminated as a trading instrument. I've learnt that they are extremely dangerous, the cost to hold them is overly expensive and the downside risk from a highly volatile market makes them even more dangerous on top of all of that.

In essence, your timing to make these changes has come at a time for me when I realised months ago that CFDs are a bad trading strategy. In hindsight, I wish they were never available in the first instance and companies who provide them as a trading instrument should be more accountable for all the issues which come with trading CFDs.

I have had constant issues with the IG trading platforms, their IT not working properly, often at crucial moments where I couldn't log on like the opening of the US markets and all my attempts to make them aware of the issues I have experienced have fallen on deaf ears as they just don't care and have no accountability.

If you wish to engage with me further about these issues, I'd be happy to share my experiences with you.

Yours Sincerely,

Max Aravena-Roman
[REDACTED]

Re: Submission on CP 322

From: Max Snow [REDACTED]
 To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
 Date: Mon, 26 Aug 2019 23:33:11 +1000

Dear Sir/Madam

Please accept some additional comments with regard to CP 322 / Product intervention: OTC binary options and CFDs.

There are (2) further main points I wish to make.

(1) There are points made in the CP in relations to losses and consumer money saved, however there is nothing about potential profits jeopardised. The simple point here is that there would be a large amount of profit that could not be made with such regulations. In terms of the ratio of one to another, I would contend that most traders lose money when they start, and unfortunately or not - many give up at this point, but that doesn't stop many from going on to have a successful trading career, which would be impossible (at least trading with an Australian broker), if this regulation goes ahead.

(2) This brings me to my next point which is, the main outcome the regulation should aim to do, if anything, is to minimise the amount of people are losing money when they start, and/or minimise the money they lose. Based on my experience, and my own losses and profits of the past, I can offer many suggestions;

A) Regarding margin, one potential way forward which would likely please everyone, is to enforce a lower margin limit for new traders. If you content that this is a major reason why traders lose money, then it is a better alternative to burdening all traders with such limits. A simple idea would be to start traders off with a limit of 20:1 that you propose, and slowly increase it to 200:1 (or higher), over a period of 1-2 years. In my experience, it shouldn't take longer than a couple of years to be well acquainted with the instrument of CFDs. This would leave experienced traders with the limits they desire, while allowing new traders to get the experience they need, with "training wheels" of sorts. This is a good way to have the best of both worlds. A broker would merely need to keep track the duration a trader has had their account open, and the open date be transferable somehow to other brokers.

B) Enforce online seminars. Most if not all brokers provide ample online learning resources, however there is nothing to say a new trader has to gasp even the bare mechanics of trading before they start. One simple solution may be to enforce traders pass some sort of a mechanics knowledge test, to ensure they understand things like equity, margin, profit vs loss, funding interest, commissions and other fee structures, etc. This will increase the burden to begin trading for those unwilling to learn what they must, and decrease the opportunity to fail.

C) A more ambitious idea, but one that I believe would have the best effect, is to enforce for traders to be able to demonstrate the ability to trade profitably in a demo account. Now, while demo trading is not like real trading, and this is not a pie in the sky solution for everything, I think for most people this would provide a very real wake-up call and allow them to understand just what trading is really like, and to get acquainted enough with it before they do any live trades.

A simple example of how this might operate has to revolve around things such as;

- Regulate that a broker must offer a demo account which as closely as possible mimics a live trading account (most brokers already do this)
- Have the customer start with a realistic amount of money, such as \$1000 - \$2000
- Regulate a minimum time using the account, as measured from first trade (for example, 1-3 months)
- The new trader must achieve a certain profit in a single trading run (ie. if they lose all money, they must start again from scratch, the broker is not allowed to top it up with

imaginary money).

- The trader must achieve some predetermined profit margin - for example, 20%. Since there won't be a time limit, there should be no pressure for the customer to do this quickly, thus they can be comfortable in learning how to trade.

While I appreciate that such an idea may be more work in terms of writing up the regulation, I believe it would be infinitely more valuable, and would actually require a new trader to demonstrate their understanding, and at least some level of competence, before risking real money. This, far more than the proposed regulation, would reduce the amount of money lost in CFD trading - and in particular by beginners (which constitute the majority of traders).

Kind Regards
Max Snow

On Mon, Aug 26, 2019 at 10:58 PM Max Snow [REDACTED] wrote:

Hello dear Sir/Madam

I wish to make a submission with regard to CP 322 / Product intervention: OTC binary options and CFDs

Let me start by saying that not all of these proposals apply to myself (in particular on binary options), and thus I will not be making any comment on them.

Some aspects of the proposal I think are great, especially negative balance protection & real-time disclosure of funding costs. However broadly, I disagree with the proposals key features F1 -

F1Q1, F1Q2, and would recommend against them.

I am a forex trader, and my only tool to accomplish this are CFDs, which I use with my broker (IG Markets). I have many years of experience.

The leverage that a person can use on CFDs is quite arbitrary, and good brokers already provide ample information and estimates (in real-time) to give their customers immediate feedback on the effects of that leverage. I believe that clear guidance and education are the most important in this regard.

While it is surely true that many people lose money in CFD trading, I believe the same to be the case in any sort of trading or risky investments (shares for example) - in particular when an individual starts out, and prior to them acquiring the necessary level of skill and experience to succeed. To that extent, the amount of leverage one could use is not a good predictor of success or failure.

Different individuals have different trading strategies and risk tolerances, and their use of leverage is merely an extension of that. These can change over time, however there is nothing to say that any specific amount of leverage is more or less ideal.

You may regard the above as my own personal opinion based on my experience. However, there are some cold hard facts that you must consider.

After enacting similar regulations in the US and EU, a very large demographic of traders from those jurisdictions left their respective brokers and instead used brokers from more exotic jurisdictions, which were not under such regulations.

From my discussions with many fellow traders in Australia, most people are aware of this, and many of us (including myself) have already taken the time to research which brokers we would use (offshore brokers), as a fallback in the scenario that regulations like this one that you are proposing go through.

The truth of it is, is that the only thing this type of regulation (limiting the margin people can use) will do is push people to overseas brokers, which are not even regulated - in any way, in Australia. In the vast majority of cases, the overall regulations and protections customers of those brokers are subject to, are much less than what we currently have here in Australia.

I know this to be factual, as there are a lot of people from overseas who actually signed up with Australian brokers (such as IG for example), after the EU regulations of a similar sort were passed. I might add, this gives Australian based brokers a fantastic competitive edge which feeds into our local industries. The point however, is that these same people, along with their Australian compatriots will merely go elsewhere, to less regulated jurisdictions, which would never enact such limits on leverage.

I also wish to bring up another point now, which is that studies looking at trader profit after leverage limit regulations were put into place, have ignored which traders have left the jurisdiction after the fact, and what were the respective profit margins of the two groups of traders beforehand (those who stayed vs those who left). As a result of this, these studies offer a skewed and inaccurate picture of the truth.

To conclude;

It is my firm belief, based on all the information I am aware of, that the major accomplishment of these regulations you are proposing will be to shift a significant demographic of Australian traders to offshore brokers, thus removing the benefit of not only the proposed, but all existing regulations. We now have plenty of evidence of this not only from the US, but now from the EU as well - the experiment does not need to be repeated again.

To that end, I strongly implore you to reconsider what you are planning to do, and scrap all margin limits entirely from this regulation - as that is the single most important difference which will push traders out of the Australian jurisdiction. This will ultimately have a very negative outcome on retail Australian CFD traders.

Kind Regards
Max Snow

Asic Consultation Paper CP 322

From: [REDACTED]
 To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
 Cc: cp322@fpmarkets.com.au
 Date: Sat, 21 Sep 2019 13:31:32 +1000

OTC Intermediary Compliance

Dear Sir/Madam ,

I am writing in regards to the regulatory changes that ASIC proposes and wants to implement in regards to people who use CFD's as a means of trading or use them to Hedge current long positions that they may have in the Markets .

I have no doubt that ASIC is well meaning in trying to protect Traders or people who want to have a Flutter like going to the races but there are also serious consequence's to consider here . Unfortunately as someone who missed out on the property boom from 18 years ago as a way of providing for my Future I have chosen to save hard and invest into the Stock Market over the last 7 Years , Learning about Risk management

And having undertaken courses by some of best industry authorities and Educators .

What have I learnt from a lot of education ? – don't lose money I like to hedge my long positions in falling markets and time's of uncertainty .

CFD's give the average person a chance of doing this , not just the Rich who know the right people at Macquarie Bank etc .

This brings me to my point , after having been all over Australia talking to a lot of people it seems to me that my **risk of Losing Money is greater with these new rules as the Brokers may go Broke.**

I now have a small amounts of Money spread between Three CFD providers with Cash sitting in another account that can be moved into them when needed – I never leave a lot of Money In any of these accounts .

With these new rules I will now have to leave large amounts of Cash in these accounts and I think this risk is going to be unacceptable in times of High Volatility with the Risk of brokers becoming insolvent.

I draw your attention to these cases from people who in my Social network have lost Money :

1. Berndale Capital - a friend of mine had a \$100,000 in their accounts , he is a well educated trader and wanted to pull the Money out for another purpose , he didn't lose it – **they just would not give it back to him .**

He tried to speak to everybody – including the Police and telling ASIC they were stealing his money – ASIC told him to “ Submit a dispute to FOS now AFCA” that's where it stopped.

Good to see you have closed them down – too late for Him.

2. MF Global – took Three Years to get most of the Money back .
3. Halifax Investment Services Pty Ltd – Going into Liquidation .

This is only in my time in the Market and not including the GFC .

BROKER RISK IS MY BIGGEST ISSUE AND THE LARGE AMOUNTS OF MONEY THAT WILL NOW NEED TO BE KEPT WITH THEM

The higher amounts of margin will make these protection strategies impossible for me . I like to use Spi Futures CFD's at times in falling markets , this will now become impossible for me .

If I have for example 20 CSL share's And they are falling in price and I don't want to sell them , I can now sell short CFD's and protect my capital - what about investors who bought them on the Float and don't want to sell due to Tax Reasons ?

Possible Solutions :

There are some good points in the proposal , I trade CFD SPI Futures with City Index – they will close down accounts when there is not enough margin in accounts – a good thing , make this a Law .

Make every non Sophisticated Investor or Retail Trader have to have a Guaranteed Stop Loss and make this **expensive** , this will sort the Gamblers out quickly – I would be happy to pay for this stop loss – to me it is like insurance , it costs a lot of Money but I need it .

With the new changes I wont be able to afford my Insurance and this really worries me .

As the Changes stand now I strongly Oppose the new proposed regulatory changes .

Regards ,
 Michael Dillon



Leverage for FX trading.

From: Michael [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: support@fxcm.com.au
Date: Fri, 20 Sep 2019 05:16:20 +1000

ASIC has proposed a maximum leverage of 20:1 over currency pairs or gold. I and a number of other traders currently run our trading pairs at 400:1 leverage. This allows those of us who have limited funds to experience trading and accumulate reasonable returns.

Firstly, We are all adults and don't need or appreciate your interference in our business, we don't like the nanny state approach to a free market you are proposing. We understand the risks and we understand the rewards. We have the skills and we have the time to exercise those skills.

Secondly, by restricting the leverage to that very low level all you will achieve is to drive the Australian business offshore. Brokers exist all over the world and I will be seeking out a much better option than a 20:1 leverage if you foolishly implement your proposal.

Thirdly, you are favouring the very rich among us and not allowing those of us who have limited funds to "have a go". You are limiting our ability to look after ourselves without government help. Effectively you are asking me to increase my deposit by 20 times what I currently have with my broker to enable me to trade and use the same lot size I currently trade.

Finally, trading in FX isn't for the fainthearted, neither do people without any knowledge of trading put vast sums into this activity. Your proposal won't protect anyone and will only restrict the good traders from making good returns. The bad traders will exit the market whether you implement your proposals or not. Currency trading is a zero-sum game and for one trade to be a winning trade someone else must lose. Adjusting the leverage will not protect the losers and will not help those who win.

Just don't do it. Leave FX leverages where they are.

Michael Innis

[REDACTED]

Feedback on cfd and binary proposals

From: Michael O'Hare [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Wed, 25 Sep 2019 13:12:35 +1000

Hi,
I have traded FX and CFD's as a retail client for over 10 years, with I.G. and agree that most of the regulatory proposals would have protected me, especially in the first few years of trading, especially transparency of margin and limiting losses to funds already deposited.

Specific responses:

E1Q1 Agree

E1Q2 Disagree, would prefer no time limit but a review after 18 months.

E1Q3 Disagree, as it is a ban there is no new requirement so why delay at all?

E1Q4 Agree

F1Q1 Agree

F1Q2 Disagree, no need to close any positions at 50%. Making the issuer responsible for losses that exceed deposits is adequate protection, closing positions will result in a "locked in loss" for the client

F1Q3 Agree. The proposed publishing of the proportion of retail customers making a loss could be a powerful part of this warning.

F1Q4 Disagree, would prefer no time limit but a review after 18 months.

F1Q5 Agree

F1Q6 Agree

Regards,

Michael O'Hare

Fw: Changes Proposed by ASIC – Have Your Say!

From: [REDACTED]
 To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
 Date: Thu, 19 Sep 2019 20:44:33 +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)

Michael Schefe
 [REDACTED]

Due to these proposed changes to binary options and Forex, I have withdrawn my funds from my onshore brokers, and am making deposit into an offshore broker. I am furious.

Mike Schefe
 [REDACTED]

-----Orig
 From: [REDACTED]
 Sent: W 19 Sep 2019 19:47 +0000 (UTC)
 To: [REDACTED]
 Subject: Fw: Changes Proposed by ASIC – Have Your Say!

[REDACTED]. I have just sent an email to my
 Member of Federal govt

Cheers

Greg Croot

----- Forwarded message -----
 From: FXCM <info@fxcm.com>
 To: [REDACTED]
 Sent: [REDACTED]
 Subject: Changes Proposed by ASIC – Have Your Say!

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.

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.

[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

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Feedback

From: Michael Vidmajer [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Thu, 12 Sep 2019 08:41:05 +1000

In all honestly I think the regulations are way to tight and would drive clients away to offshore brokers to get better leverage. For some people like myself where I take high leverage trades for a small move in the market hinders my ability to trade extremely and is a bit of a scare. I think leverage cuts are extremely harsh and need to be a little more user friendly. I like to Trade ASX, Crypto and FX now it limits me basically to one market because I can only take 1-2 Positions at a time which will cause lots of missed trades because I don't have margin to take them. I feel if this passes lots of Australians are going to be upset and disappointed and put themselves at even more risk my looking for off shore/oversea's brokers who can give them more leverage..

The proposed changes

From: Mick Wilson [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 22:16:13 +1000

FXCM have sent me an email regarding proposed changes.

I am against these changes as they change a lot of things.

50% for automatic closing of positions is ways to high.

I can understand 400 to 1 as being leverage that is to high for me, but 100 to 1 is very comfortable and what i trade at and 20 to 1 is very low and changes trading dramatically for me.

The effects I can see for me is to walk away, get a broker overseas or force me to commit a lot more money to the account that i trade.

So i am guessing a bit here, to trade and remain making the money i currently am doing i would need to put on positions 5 times larger than i currently am doing, which will require me to have an account balance 5 times larger. That is giving the brokers a lot more commission. 50% margin is to high, i take draw down in my trading and having my positions closed automatically puts me at risk of losing money.

Really i would like you to leave it alone. If silly people are risking to much of their money in the markets (if that is the reason for the proposed changes), why should responsible people get penalized. Wow, imagine the stop hunting and spikes in the market the stop hunters will start doing. I dont want to blow half my account trying to find out how to trade safely under these new rules using the systems that i currently use. And i am not keen on committing more money to my brokers account. I dont want to use an overseas broker either.

Regards,

Michael Wilson

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

From: [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Thu, 19 Sep 2019 07:16:37 +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)

Dear mr, mss,
 I am very disappointed in reading the proposed industry change for forex trading. If the leverages are really changing as proposed it will mean I have to stop trading with FP and look for another broker. What about the freedom / right to choose a broker who suits you ?
 Kind regards,
 Michel Herman

-----Origineel Bericht-----

Van : support@fpmarkets.com.au

Datum : 18/09/2019 01:32

Aan : [REDACTED]

Onderwerp : Important Notice - ASIC Consultation Paper 322 – Industry Changes

[REDACTED]



[Contact Us](#)

Dear Client,

IMPORTANT - Potential Regulatory Changes affecting you, the trader

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

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

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

This consultation period invites brokers and other relevant stakeholders (clients) to provide

feedback on the proposed changes.

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

Market.Supervision.OTC@asic.gov.au

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

CP322@fpmarkets.com.au

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

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

The full consultation is available [here](#)

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

1. Maximum leverage rates

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

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

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



2. Margin close-out

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

3. Negative balance protection

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

4. Real-time disclosure of overnight funding costs

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

5. Prohibition on inducements

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

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

6. Risk warnings

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

These risk warnings will include:

- The complexity of the Products and likelihood of losses
- The Percentage of clients that have lost money in a 12-month period

7. Transparent pricing and execution

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

The CFD pricing methodology must explain how we determine our prices, and the CFD execution policy must explain how we address our clients' intention to trade and the effects thereof.

How to Respond to ASIC



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

Level 5, Exchange House

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

10 Bridge Street
Sydney NSW 2000
Australia

Kind regards,

FP Markets Team

DISCLAIMER: This material is intended for illustrative purposes and general information only. It does not constitute financial advice. You should take into account your investment objectives, financial situation or particular needs. Commission, interest, platform fees, dividends, variation margin and other fees and charges may apply to financial products or services available from FP Markets. This information has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the information in light of your objectives, financial situation and needs before making any decision about whether to acquire or dispose of any financial product. Contracts for Difference (CFDs) are derivatives and can be risky; losses can exceed your initial payment and you must be able to meet all margin calls as soon as they are made. When trading CFDs you do not own or have any rights to the CFDs underlying assets.

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

This email was sent to michel.herman@hetnet.nl. If you no longer wish to receive these emails you may [unsubscribe](#) at any time.

ASIC's product intervention proposals on CFDs - from a Pepperstone trader

From: Michelle Lewis [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: [REDACTED]
Date: Mon, 23 Sep 2019 23:25:10 +1000
Attachments: IG GROUP RESPONSE TO ESMA CALL FOR EVIDENCE.pdf (1.89 MB)

Hi,

I am writing to voice my concern regarding the intervention changes to CFD trading that ASIC are proposing.

I was introduced to FOREX trading through an educational platform I Markets Live, now called IM Academy in February 2019. I have been live trading since April 2019 using Pepperstone as my broker.

Never in a million years did I think this is what I would be doing at 50. I have a B Sc in Biotechnology and a Grad Dip in Forensics but have just left full-time employment in these areas to continue studying FOREX trading and trade full time from home. The proposed changes would drastically affect the way I trade and reduce the potential opportunity to grow my account for which I have quit my job to do. I am not a swing trader but more intraday and scalping. I and my family (2 sons and husband) also run computerised trading bots and in order for them to work with the algorithms, they need a 1:500 leveraging ratio. The company that we use for the software for our bots provide amazing support and education for their product but the magnificent up-side is that we are learning so much about trading at the same time and that is positively impacting our manual trading.

I understand the concept of the "significant consumer detriment" but it sounds more like a group of people who weren't educated about trading, didn't know what they were doing and then blaming someone else for their ignorance and losses. So the knee jerk reaction is to protect the 'stupid' people from themselves and in the process penalise the people and companies who do their due diligence and want the same exposure to the opportunities afforded to people with bigger bank accounts or political sway. I have enquired with my broker and in order to maintain access to leveraging of anything above what you are proposing, I could become a VIP member but need to qualify by either having net assets of \$2.5M or currently gross \$250K for the previous 2 years - neither of which applies to me or many of the other beginning/educated traders starting out or looking to make this a vocation. I currently use a 1:200 leveraging ratio on both my demo and live accounts with Pepperstone.

I have read through your Consultation Paper 322: Product intervention: Binary Options and CFDs. The overall tone is that "most" retail clients lose money trading CFDs, often due to excessive leverage and you want to minimise their losses. BUT restricting the leveraging of CFDs and Gold to 20:1 won't stop their losses because they fundamentally don't understand what they are doing. Everything that I read from reputable companies and brokers will state categorically that FOREX trading is risky and not to trade money you are not willing to lose. If you are silly enough to trade with your super funds or money that you cannot afford to lose AND you do not do your due diligence - such as educating yourself and understanding what leverage means, what does a margin call mean, am I with an A-list broker, etc; I mean it's your hard-earned money and if you don't know what you are doing then you would have to ask yourself why would you do this? Isn't that what registered brokerage firms/ portfolio managers are for?? This is a problem with the mentality of these people and it will probably be these same people who get caught up in the get-rich-quick-schemes and then complain because they lose more money. In the mean time, there are many people like myself, who are educating themselves and learning to trade and who want to have the same opportunities as the "big boys" to grow accounts. I have had losses for sure but they were because of my mistakes and not fully understanding the trade at the time and I was aware of all the inherent "risks" associated with trading FOREX. Who the hell starts trading from an ad they see on Facebook or Instagram? And if this is a big problem then perhaps this is where your regulation efforts could be focusing upon.

Ref 66- I don't know how you can owe money because you end up margin called to prevent that. Use an A-list broker and you won't get stop-hunted and be vigilant with your trades. I have not had any of these experiences even with being a new trader. I have found Pepperstone to be very

helpful and received many calls when I first registered with them to make sure I was comfortable with trading, did I understand things, etc. There were no sales pitches or high-pressure sales strategies and I place my own trades.

Ref 85 -

a) How much money? All their money. This should also read most retail clients who trade CFDs lose money but also make money, because they do. Education will help them to increase their wins and minimise their losses.

b) Blaming the leveraging won't stop the losses - they fundamentally don't understand how to use it correctly and margin calls should prevent them losing more than their initial investment.

c) small print - once again, understand what you are doing

d) - do people not place their own trades??

Ref 89 - If I place 7 trades and I lose 2 but win 5, I am still ahead because I use GOOD RISK MANAGEMENT but you would register that I am a trader who lost money trading FOREX.

b) CFD issuers make money on a trade whether I win or lose but isn't that what their business is all about??

Ref 95 - should read - unsuitable for uneducated retail traders because we are taught to use GOOD RISK MANAGEMENT

Ref 98 - Not in my experience - my account is set at a particular leveraging ratio, so each trade is calculated for risk mitigation with the same parameters for each trade. ie. lot size will change depending on the currency pairs and the amount I want to risk in a trade = never 100%, usually about 3-5% per trade.

Ref - 99 yes that is why you determine your risk management which means UNDERSTANDING what you are willing to "risk" in order to participate in the trade

Ref 100 - I have no words - As above, they have no understanding of risk management - that is you do not risk 100% of your account in any one trade; maybe 3% then you don't end up in that position.

Ref 102-106 - Stop losses are part of your risk management

Ref 114 - This would be for swing traders I assume - most educated traders would be aware of the potential of gapping especially over the weekend between market close on Friday and re-opening Mon and have factored this into their trade as part of their risk management.

Ref 115-120 - Once again educated traders are aware of the spread, especially on opening times of markets and this is factored into their trade plan and risk management strategy. Pepperstone is the only broker I have used I cannot comment on a less-than-stellar broker but Pepperstone have a list of currency pairs and the range of spread for each on their website.

Responses

F1Q1 - No I do not agree. For all of the reasons listed above but mostly because you are proposing changes to safe-guard the uneducated (to protect them from themselves) but not making allowances for the educated or schooling traders who make informed decisions. I think you have underestimated the impact of the restriction of consumer choice to access larger exposure on informed traders and lumped us all in together with the "uneducated". This approach "has not appropriately accounted for (i) the potential unintended and counterproductive side effects on the retail market for CFDs of severe restrictions and (ii) the impact of such restrictions on well-informed retail clients (i.e. our typical clients) for whom CFDs are a perfectly appropriate trading and hedging tool." - See attachment document: IG GROUP RESPONSE TO ESMA CALL FOR EVIDENCE ON POTENTIAL PRODUCT INTERVENTION MEASURES ON CFD AND BINARY OPTIONS TO RETAIL CLIENTS

F1Q2 - I don't agree with either option. I have been margin called before and understood that I either need to add more funds to allow the trade to run or that it will close out to prevent negative balance. This was my fault as I did not use a proper risk management strategy - (early on in my trading) but I was aware of this when I started trading. It's called being accountable for my own actions.

F1Q3 - Yes agree - but like I stated earlier, there were many risk warnings provided by the brokers and software companies I have dealt with whilst trading. If I didn't see any risk warnings I would be very sceptical about the validity of the products of that broker/company.

F1Q4 - No, because I don't agree with the "nanny state" mentality. There has to be another way to combat the perceived "retail trader" losses that addresses the real concerns of little-to-no educational traders having open-access to a tool (Forex trading) with no safeguards vs punishing the educated/informed traders by restricting their access to increase their exposure to larger trading opportunities.

F1Q5 - No - and hard to answer as I am not a broker but imagine it will be awfully difficult to implement such an order.

F1Q6 - Basically you admit the proposed changes will "limit" consumer choice with regards to

access to larger exposure opportunities but protecting the un-educated from themselves is preferable and just bad luck for us. I can imagine that this could have a detrimental effect in that it could see Australian traders sign up with non-AU brokers in order to have access to their preferred leverage ratios and leave them exposed to even more "significant detriment" with then no recourse for protection or recompense.

I appreciate the reasoning behind wanting to provide safe-guards to protect 'retail traders' from incurring huge losses that could be magnified through incorrect leveraging of their accounts and trades. However I feel that there has to be a better way than a blanket restriction applied across the board that penalises traders who do their due diligence and use A-list brokers, whom also are being penalised. Surely there has to be a way to ensure that a retail trader has sufficient knowledge with regards to understanding trading terms and their real-life applications and what good risk management strategies are before they can access an account and start trading.

Perhaps creating some sort of test of knowledge, with a certificate of completion, that is accessed through and administered by ASIC or MoneySmart BEFORE they can open an account with a verified broker that comes complete with Risk warnings, etc? Or provide proof of membership with an educating body that provides education about CFD trading in order to trade?

Thanks for opportunity to respond to the proposed changes.

Regards

Michelle Lewis

And also on behalf of my family who manually trade Forex and run an AI also:
Joel Lewis, Daniel Lewis and Wade Lewis.

Proposed changes

From: [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 27 Sep 2019 00:40:05 +1000

Hi

I am writing to make a submission regarding the proposed changes to the OTC Foreign exchange regulations.

I believe dramatically reducing the leverage available to retail investors (up to 400:1 down to 20:1) will actually further disadvantage retail investors versus corporate and commercial investors who are able to take advantage of lines of credit with their respective banks. A more realistic leverage would be 100:1. At 20:1 I believe more retail investors are likely to use off-shore institutions in order to achieve leverage, at the expense of security of funds and governance.

The proposal to increase margin requirements significantly risks retail investors accounts being liquidated unnecessarily during volatile market movements or illiquid trading periods (which can last as little as one hour), again at a disadvantage to corporate and commercial clients.

I understand the desire to afford more protection to retail investors but I do believe these proposed changes will have the opposite effect, stronger regulatory oversight of FX providers would be a great deal more preferable.

Thank you,

Kind regards, Mike

Mike Ashton

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[REDACTED]



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Feedback

From: Mike Dowd [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Fri, 30 Aug 2019 09:29:45 +1000

Hi there

As a trader, I have reviewed the proposed changes to the regulation of the CFD market. As a successful trader, one of the small percentage of us who actually makes money, some of these proposed changes are detrimental.

The 50% margin cutoff point at which positions will be closed is entirely unreasonable and harmful and removes our chances of success during volatile market periods. In fact, it greatly increases our chances of losing money, which is no doubt the opposite of what you hope to achieve through these changes. And leave the margin rates alone, this is our vantage point.

The proposals I support as necessary, are the prevention of traders losing more than what is in their account. I believe this is long overdue. Also, any change that requires disclosure from a provider is a positive one. Disallowing financial incentives to trade is also good for protecting many traders as the only winner in most of these situations is the provider. The risk warnings are useful too, though traders are the type who like to beat the odds, so these warnings may only spur us on in our quest to be part of the small percentage of successful traders. Any transparency in costs is welcomed.

Cheers, Mike

ASIC Consultation Paper

From: Mike Stokes [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Tue, 24 Sep 2019 21:42:21 +1000

As a small trader operating for approximately six years, my query is who does ASIC believe it is protecting by such thinking. Ostensibly this is me and my ilk. However we trade in a relatively free market, which is controlled, of course, by the major players, who may think that further advantage can be obtained by removing we thorns. I have lost consistently over my trading period. I know that I am improving all the time, and will ultimately prevail. You tell me who has ever won their first race. Trading is for people and entities who are aware of the risks, and understand that all participants will inevitably lose at times.

20:1 / 15:1 / 10:1 are totally unjustifiable maximum leverage rates. This would effectively mean that serious participants will migrate to greener fields, while the institutional participants will just run the markets as a members club. The new proposals, together with the ill advised revised margin close-outs seem to be new measures suggested by persons who no knowledge or experience in such matters.

The obvious question, not addressed, is "who has initiated such changes"? Losers, like myself, are big boys who understand the risks, and act accordingly.

Please bear in mind that if such proposals are effected, we will move on, ASIC members and associates will take the financial hit, and we, the traders, will be forced into dealing with more and more unscrupulous brokers.

WHO WANTS THESE CHANGES?

Michael Stokes

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

From: mohd shehab [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>, cp322@fpmarkets.com.au
Date: Wed, 18 Sep 2019 17:55:55 +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)

Dear ASIC

As personal traders we shift from uk regulation to ASIC regulation because we can not trade with leverage less than 1:400 so if u decide to reduce the leverage from 1:500 on forex to 1:20 please u should apply if when the account si more than \$10k

thanks u

On Wed, Sep 18, 2019 at 2:33 AM FP Markets Team <support@fpmarkets.com.au> wrote:



Contact Us

Dear Client,

IMPORTANT - Potential Regulatory Changes affecting you, the trader

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

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

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

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

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

Market.Supervision.OTC@asic.gov.au

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

CP322@fpmarkets.com.au

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

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

The full consultation is available [here](#)

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

1. Maximum leverage rates

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

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

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



2. Margin close-out

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

3. Negative balance protection

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

4. Real-time disclosure of overnight funding costs

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

5. Prohibition on inducements

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

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

6. Risk warnings

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

These risk warnings will include:

- The complexity of the Products and likelihood of losses
- The Percentage of clients that have lost money in a 12-month period

7. Transparent pricing and execution

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

The CFD pricing methodology must explain how we determine our prices, and the CFD execution policy must explain how we address our clients' intention to trade and the effects thereof.

How to Respond to ASIC

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

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

Kind regards,
FP Markets Team

DISCLAIMER: This material is intended for illustrative purposes and general information only. It does not constitute financial advice and does not take into account your investment objectives, financial situation or particular needs. Commission, interest, platform fees, dividends, variation margin and other fees and charges may apply to financial products or services available from FP Markets. This information has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the information in light of your objectives, financial situation and needs before making any decision about whether to acquire or dispose of any financial product. Contracts for Difference (CFDs) are derivatives and can be risky; losses can exceed your initial payment and you must be able to meet all margin calls as soon as they are made. When trading CFDs you do not own or have any rights to the CFDs underlying assets.

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

This email was sent to fxtrade70@gmail.com. If you no longer wish to receive these emails you may [unsubscribe](#) at any time.

ASIC Consultation Paper

From: Murray Livermore [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: cp322@fpmarkets.com.au
Date: Tue, 24 Sep 2019 07:59:27 +1000
Attachments: Monthly_Statement_ENG_268768 Jun'19.pdf (123.36 kB);
 Monthly_Statement_ENG_268768 Jul'19.pdf (131.54 kB);
 Monthly_Statement_ENG_268768 Aug'19.pdf (128.14 kB)

To whom it may concern,
 Feedback regarding CFD Consultation Paper CP 322.

F1Q1:

I do not agree with your proposal to make a market-wide product intervention order on the issue and distribution of CFDs to retail clients because I am in the 28% of people who profit from CFD trading of underlying Equities under the current rules.

To make such a large change in margin from 20:1 to 5:1 in one step for both experienced traders like myself and beginners who open new accounts and lose through gambling methodology, just isn't appropriate and will deflate profit margins. The difference in thinking between a profitable trader and a beginner is great. To cast the same set of ratio limits over both is not fair and would be like going back to "L-plates" after all the experience earned.

The 'Measures implemented by foreign regulators on OTC CFDs' include a solution that may suit:-

"Some other European authorities have implemented or proposed CFD leverage ratio limits that differ according to the experience of a retail client. For example, in Poland 'experienced clients' may open CFD positions with leverage as high as 100:1 for currency pairs, while CySEC proposes leverage limits up to 50:1 for retail clients in Cyprus with enhanced trading experience". (your research)

I find the use of CFDs over Equities much easier and less risky than the use of Exchange Traded Options (ETOs) to hedge against loss. CFDs also cover more equities than the 220 or so equities covered by ETOs.

Perhaps an educational test for beginners to pass before they can trade CFDs.

Similar to the tests applied by Option Issuers before a user can trade ETOs.

We are all in a new online global trading world now, with 'retail' clients competing against high-frequency 'wholesale' trading houses who can transact varying volumes at much smaller cost compared to high 'retail' commissions. Retail traders need better ammunition to smooth out the volatility of price fluctuations, not more restrictive regulations.

Evidence and data in support of my view:

Attached are the previous 3 months of my trading account statements which show \$3,287 net profit before tax and after commissions and borrowing costs. A small but comfortable profit to show for my efforts.

F1Q2:

I do not agree with this 50% proposal as I control the positions in my account so that funds can fall to 25% to 40% of initial margin. Obviously, 50% would mean controlling my positions so that funds could only fall to 60% to 70% of initial margin (to have a safety margin before hitting the 50% closeout). This would require doubling the required capital over present levels.

To close one or two positions to maintain 50% wouldn't be so bad, but to close all positions would result in extra commissions to buy back some positions resulting in reduced profit.

F1Q3:

I was provided with enough risk warning when I opened my account. FP Markets provided and still do provide good education to become better traders. Lazy

beginners with \$\$\$ in their eyes won't take notice of more warnings or go for the optional training, they need forced educational tests to protect themselves from themselves before being allowed to trade.

F1Q4: I agree.

F1Q5: I agree.

F1Q6: No comment.

I can tell by reading your "CONSULTATION PAPER 322: Product intervention: OTC binary options and CFDs" that you know very well what you are talking about and have researched the market thoroughly.

I think the CFD Issuers are providing substantial employment and good business in keeping 'retail' costs low. It's the dirty tricks used by 'wholesale' traders and quant systems that are taking the funds of your complainants. I live in hope that you can help us 'retail' clients with some good regulation.

Please feel free to use my email and data as you see fit,

Sincerely,

Murray Livermore



Feedback

From: Murray Raj [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 21 Nov 2019 21:27:07 +1100

Dear,

While ASIC intention of protecting traders from heavy losses with CFD leverage trading is understandable and I appreciate this.

But most of the losses the traders, in particularly speculative and marginal traders, experience, aside from volatility in the market, it is their impatience is the fundamental reason for most of the loss.

I read this evening (21/11/2019) in the Reuters, that CMC Markets PLC (which operate in Australia as CMC Markets) and its income jumped in the first half year in UK and its full year target is lifted. This happened following, regulators crack down on high risk betting over there. What this indicates is that the speculative and marginal traders enter into uncharted territory and face even bigger losses in CFDs and as results the market operators' profit going to increase in future.

Thankyou
Yours Sincerely
M Rajaratnam

Consultation Paper 322; Product Intervention (Condition 2)- Retail Trader

From: Naji Aoukar [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Wed, 18 Sep 2019 13:55:00 +1000

Dear Sir/Madam,

Re brief specific feedback on Consultation Paper 322; Product Intervention.

I have been an active trader and investor for the past 15 -20 years, and have traded shares, warrants and CFD's (with numerous market participants). I trade actively and also run a SMSF. My professional background is in mining/exploration and broker research.

In 2017/18 I opened CFD accounts with **FP Markets** and **Invast Global** with a view to trade CFDs more actively (my previous higher risk trading was using asx listed barrier warrants). My strategy was to use the moderate leverage and have access to a shorting mechanism, while not being forced to stop out. In that year my trading activities (both shares and CFDs) generated profits after expenses of ~\$70k, in 2018/19 my activities generated a loss ~-\$23k. These results were a combination of both realised and unrealised positions.

Each CFD account currently has unrealised losses of ~-\$35k (opening equity ~\$50k). Each CFD account has 3-4 open positions, and in each account, at least one CFD, accounts for the bulk of the negative unrealised position. I clearly understand the reasons for the performance of these accounts. At this stage I have minimised all active CFD trading and my expenses are limited to financing charges on the open positions. I still have free equity in both accounts which covers price movements and financing charges and am developing a strategy to exit these positions on my terms.

My key concern with Consultation Paper 322 relates to Condition 2 , automatic close out of client positions. If an approach is adopted whereby a position is liquidated if the margin falls to 50% or less of the initial required margin, my existing open position with a combined unrealised loss of ~\$70k would be realised! Clearly I am not comfortable with this potential outcome, and I lose all control to manage my situation.

I am happy to discuss my experience, positions, margins etc and accounts with these two CFD brokers further however I would appreciate confidentially unless otherwise agreed.

Yours Sincerely,
Naji Aoukar

Changes Proposed by ASIC

From: Nathan Taiaroa [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Mon, 23 Sep 2019 09:01:22 +1000

Hi,

I have recently become aware of proposed ASIC changes and I want to express my concern. I am particularly concerned about the proposed changes to:

1. Leverage ratios: I understand that the changes have been proposed to try and limit losses however they also limit an investor's ability to take advantage of rapid market changes. At the end of the day, an investor needs to take responsibility for their own investments. Instead of over-regulation, I believe improved education would be a better solution.
2. Automated close outs: I enter into FX positions to hedge against large fluctuations in the AUD (the currency we invoice in) against the USD (the currency we pay suppliers in). Given we are a small organisation, I both lead tours and manage our finances. If I am away on Kilimanjaro for a week and don't have access to my computer, I do not want a position closed on my behalf. I have entered into that hedge for a reason and I can set an automated close out myself if I am worried.

At the end of the day, I believe it is an investors responsibility to manage their funds. I understand there is need to regulate but the about changes go too far in my opinion.

Thank you for you time,

Nate

Nate Taiaroa
Founder & Head Guide
African adventure specialists, making a difference in the world through adventure travel.
Check out our [adventure videos](#) on YouTube.



Feedback

From: Neil Robertson [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Tue, 24 Sep 2019 14:00:59 +1000

For your consideration:

I have been trading currency pairs with Pepperstone for 3 months now. I have developed a trading algorithm over the past 6 years and it has been very successful. This algorithm requires many positions to be open for up to 4 weeks at a time. To do this a leverage of 200:1 is required. The algorithm is comprehensive and can close out trades of its own accord if the account equity becomes less than 50% of the account balance or if the maximum use of leverage exceeds 90%. If the proposed leverage limit of 20:1 is initiated, this will decrease my income by 90%. I urge ASIC to reconsider such a harsh restriction and would suggest that a maximum leverage of 100:1 would be more appropriate.

Kind regards,

Neil Robertson

proposed changes to leverage and margin close outs

From: [REDACTED]
 To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
 Date: Tue, 24 Sep 2019 12:46:05 +1000

The propose changes in regulations are an abomination:

Consider this:

A responsible trader has a strategy which provides winning trades on 70 % of all trades taken. The best way to achieve growth in this situation is not to rely on large winners and small losses, as this does not always occur, but instead to risk the same amount of capital on all trades (say 1% of account capital)

However when a 100pip risk trade appears he will risk \$1 per pip for a total risk of \$100. When the following trade setup appears with a perceived risk of just 20 pips he needs to commit to \$5 per pip to allow for the same capital risk/capital gain. With the new proposed regulation he will not be able to take this second trade because of the reduced leverage and yet he is still wishing to act responsibly and still wishing to act within the rules of his strategy.

His only option is to avoid smaller trades which has undesirable results as follows.:

- 1) ignoring certain trades will then 'skew' his strategy until he becomes less successful as the 70% success rate was achieved by taking all available trades.
- 2) he will have to take only larger risk trades which implies trades of a greater duration which would then incur swap rates being charged instead of completing within the session.
- 3) in trying to make the most of a more difficult situation he will be tempted to take the smaller trades anyway and put his account more at risk of a Margin call.

In all these changes will penalise the responsible day trader who understands the concept of growth and risk management, for the sake of trying to reign in those who recklessly risk vast sums and keep 'blowing' their accounts.

Hope this opinion is of some value

Regards,

Nick Hill

Feedback

From: Nick Wells [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Fri, 30 Aug 2019 06:06:51 +1000

Dear ASIC,

I have used CFDs for decades and they are a valuable instrument for taking positions in financial markets.

They allow me to size positions, hedge and manage risk.

I like the idea of regulation, but am totally against the idea of banning their use.

Thanks

[REDACTED]

Feedback

From: Nida Mansuri [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Wed, 11 Sep 2019 22:20:10 +1000

Hi Team,

I would like to thank ASIC for intervening in CFD market. However, as you know, before funding account, all risks are taken into consideration by account holder. He /She wouldn't blindly just give money to broker just to have fun. As you are professionally more experienced in financial market, it would be better to leave account holder liable for his/her action.

If he/she invest money in trading and looses, it is his/her job to understand associated risks. It cannot be put to broker or market.

Thanks

Feed Back on proposed CFD trading

From: [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 00:21:18 +1000

My Platform advised me that you are proposing to change the way we trade CFDs, of concern to me are the changes to leverage. I do not want you to change the leverage or margin requirements. I am aware of the risks but need leverage to get ahead.. The proposed changes will impact me negatively. Please consult industry groups before you ruin our business. Regards Nigel Monk

Email sent using Optus Webmail

Feed Back on proposed CFD trading

From: nigel monk [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Wed, 18 Sep 2019 11:12:20 +1000

My Platform advised me that you are proposing to change the way we trade CFDs, of concern to me are the changes to leverage. I do not want you to change the leverage or margin requirements. I am aware of the risks but need leverage to get ahead.. The proposed changes will impact me negatively. Please consult industry groups before you ruin our business. Regards Nigel Monk

Feedback on proposed changes to CFD and binary options trading

From: Nitin Prabhu [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 26 Sep 2019 12:12:07 +1000

Hello,

Please consider my feedback on the proposed changes for CFD trading for retail clients.

Minimum margin rates

Not in favour of the exponential increase of margin rates.

Negative balance protection

Negative balance of 10-25% of account value can be allowed.

Binaries

Agree with the proposal to ban Binaries for retail clients.

Risk warnings

Agree with the Proposal to provide prominent risk warnings

Transparent pricing and execution

Agree with the proposal to provide detailed explanation.

Prohibition on inducements

Agree with the proposal.

As a middle income retail trader who has lost a significant money in CFD trading, I still believe the adequate education, risk warnings & transparency is required rather than the proposed increase in margin rates.

Whilst there is a higher chance of losing money in trading these instruments, retail clients need to have the freedom to make informed decisions.

Mandatory educational material/ short courses can be introduced with real time trading scenarios as a pre-requisite to CFD trading.

As a trader with more than 10 years experience, I am willing to provide more insights & feedback if required in regard to the above mentioned suggestions.

Thanks

Best regards
Nitin Prabhu

Feedback

From: Nola George [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: responsetoasic@pepperstone.com
Date: Thu, 19 Sep 2019 13:37:00 +1000

To ASIC & Pepperstone,

It has come to my attention that ASIC are looking at some very restrictive leverage restrictions on the FX markets through Australian brokers.

These restrictions will seriously affect my ability to trade through the Expert Adviser software that I am using.

The software will not work properly with the leverage that ASIC is proposing .

I and many others that are successfully using this software in Aust would not be able to meet the following criteria i.e.

have net assets (including property, savings, super and any other assets you own) of at least AUD \$2.5 million

OR

Have gross income for each of the last two financial years of at least AUD \$250,000.

I have been successfully trading at a 500:1 leverage for the past 6 months now without loss of funds and growing my account weekly.

If ASIC goes ahead with these restrictive proposals it will mean that I and many others would have no choice but to find an overseas broker and having to work in USD's or other currencies which in my mind is unacceptable.

Who knows what sort of regulations brokers outside Austrlia are under?

I would much prefer a broker I can trust in our own country Australia.

We hear every day of many who are jobless because of age and have not enough savings to help them through retirement.

Now it seems once again any possile opportunity for those that want to take the opportunity to help fund there own income

is being squashed in favor of the wealthier.

In Summary nothing would be gained and just make it harder for people in Australia to be able to add something to their incomes and supplement their retirement.

I can only hope that common sense prevails and leaves the people of Australia with a choice.

Thanks

Nola

Nola Ward (Georae)

[REDACTED]

Feedback

From: Norman FU [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 29 Aug 2019 21:46:41 +1000

Hello

I think share leverage needs to be the same leverage as major indices and currency around 5%

CFD main reason for us is we can sell short , which means when economy is going down we can still making money not just large company.

These brokers charge less than banks is also another thing we think ASIC need to help us. Fees and commissions .

[REDACTED] [REDACTED] [REDACTED]

Feedback

From: Palat Vadhanavisala [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Thu, 29 Aug 2019 21:39:12 +1000

Dear ASIC,

Regarding to consultation paper with IG and it heavy impact to my trading directly so I write this email to give some feedback to you as a retail client.

As such a high leveraged products trading, current leverage (margin) from IG offered to me are reasonable, unlike others which offered too high or too risks for clients. Increasing margin significantly will cut off a lot of opportunities for retail traders who able to accept high risks(losses) for making money and IG may lose many clients which they need to switch to use other brokers/providers. I would like to suggest that IG may give questionnaire or KYC to prove clients that they have enough knowledge to trade high leveraged products and able to accept exceed loses more than their deposits then IG will offer remain leveraged for clients who certified. I believe that clients who are able to accept high risks, high leveraged products would be happy and feel safe to stay with IG.

IG is one of the biggest CFDs provider which I can trust in terms of pricing, execution, safe of funds and other professional services. If IG increase minimum margin significantly as stated, it is no choice for me, and maybe others too, to move to other brokers/providers and I feel sad for have been using IG for more than 5 years.

Best regards,

Get [Outlook for Android](#)

Product Intervention: CFDs - my feedback

From: Paras Jethwani [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Date: Thu, 19 Sep 2019 20:29:43 +1000

Hello,

My broker FXCM recently sent out an email highlighting some of the changes to CFD ASIC is considering

As a trader and end user I wanted to provide some feedback which I hope will be considered during the policy making process

All the changes seemed to be in line with the ESMA changes introduced in Europe last year

I wanted to highlight the importance of **Negative Balance Protection**

I think this is a vital control to safeguard the interest of individual traders as was shown in the aftermath of the January 2015 Swiss National Bank decision to remove the currency peg

With the Negative Balance Protection in place I think how much **leverage** a trader uses should be the individual's decision rather than regulating against high leverage

Regards
Paras

Feedback

From: Patrick Boyle [REDACTED]
To: Market supervision - OTC <market.supervision.otc@asic.gov.au>
Cc: respond2asic@ig.com
Date: Mon, 02 Sep 2019 15:35:18 +1000

While there is risk in CFD trading, as a retail trader I am well aware of the risks associated with this type of product.

Removing CFD's as an option may cause greater issues if retail traders borrow more to be able to achieve the same degree of leverage that these products provide.

Traders are aware of the risks and need to take responsibility for their own actions.